



December 5, 2008

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116
USA



LETTER OF COMMENT NO. 11

File Reference No. 1240-100

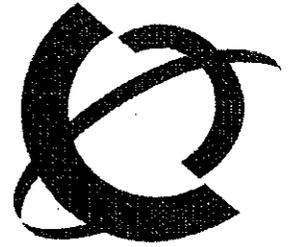
Re: Proposed Statement of Financial Accounting Standards – Earnings per Share

Dear Technical Director:

Nortel Networks Corporation (Nortel) appreciates the opportunity to comment on the Proposed Statement of Financial Accounting Standards “Earnings per Share.” Nortel supports the Board’s attempt to improve the usefulness of information to investors and to develop a global standard in conjunction with the International Accounting Standards Board.

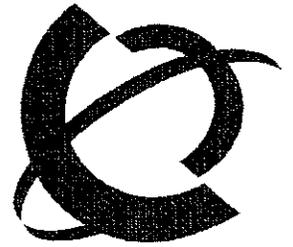
Nortel is a global supplier of communications equipment, software and services, serving both telephone service provider and business and governmental enterprise customers, with over \$10 billion in revenues. While we are headquartered in the Greater Toronto Area, our securities are traded on the New York Stock Exchange (in addition to the Toronto Stock Exchange), we follow accounting principles generally accepted in the United States of America, and we file Annual and Quarterly Reports on Forms 10-K and 10-Q with the Securities and Exchange Commission.

The body of this letter includes our general comments and observations on the Proposed Statement. Appendix A to this letter includes our responses to issues 1 and 3 raised by the Board.



We support the Board's decision to include in basic EPS common shares outstanding and instruments which have a right (or are deemed to have a right) to participate currently in profit or loss of the period while at the same time allowing for more types of instruments to be included. This definition better reflects the actual shareholder position by capturing all shares with an immediate potential to participate in earnings and to preclude any impact on the EPS calculation of non-substantive options, warrants, etc. We would point out in the latter regard the definition of instruments currently exercisable for little or no cost to the holder (paragraph 9A, subparagraph a) suggests that vested stock options issued with an exercise price equal to fair market value at the time of grant but significantly lower than the market price at the end of a reporting period may need to be included in the computation of basic earnings per share. We would suggest the Board either clarify the "non-substantive" objective referenced above or provide a specific exclusion for stock compensation granted with an exercise price equal to fair market value at the time of grant.

We support the proposed use of end-of-period market price compared to average market price under the treasury stock method as we believe it provides a more current view of shareholder participation in earnings. We also support the reduction in complexity while acknowledging it could result in significantly different outcomes for companies experiencing significant fluctuations in stock price.



We appreciate the opportunity to comment on the proposed Preliminary Views. If you would like to further discuss any of our comments, please do not hesitate to contact me at (905) 863-7253 or pkarr@nortel.com.

Sincerely,

A handwritten signature in black ink that reads "Paul W. Karr". The signature is written in a cursive style with a large, prominent initial 'P'.

Paul W. Karr
Controller
Nortel Networks Corporation

C: Paviter S. Binning, Executive Vice President and Chief Financial Officer



APPENDIX A

Issue 1: In this proposed Statement, an entity would not include in the denominator of diluted EPS the number of additional common shares that would arise from the assumed exercise or conversion of certain freestanding instruments (or a component of certain compound instruments that is accounted for as if it were freestanding) that are measured at fair value each period with changes in fair value recognized in earnings. Similarly, an entity would not include in the computation of basic and diluted EPS under the two-class method certain participating securities that are measured at fair value each period with changes in fair value recognized in earnings. The Board concluded that the effect of those instruments on current shareholders during the period has been reflected in the numerator of basic and diluted EPS through the changes in fair value recognized in earnings. Do you agree that the fair value changes sufficiently reflect the effect of those instruments on current shareholders and that recognizing those changes in earnings eliminates the need to include those instruments in determining the denominator of diluted EPS or in computing EPS under the two-class method? If not, why not?

Response 1

We agree that in such circumstances, no further adjustments or alternate presentation formats are necessary to fairly reflect EPS for current shareholders. When an entity measures an instrument at fair value through profit or loss, the change in the fair value of the instrument affects the interest of the current shareholders in the entity's performance.

Issue 3: The Board decided that the amendments in this proposed Statement would not warrant additional disclosures beyond those already required by U.S. GAAP (for example, Statement 128, FASB Statement No. 129, Disclosure of Information about Capital Structure, and EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock"). Do you agree that additional disclosures are not warranted? If not, what additional disclosures should be required and why?

Response 3

We support the Board's view that the current disclosure requirements are sufficient and, therefore, no additional disclosure is required under the revised statement.