

November 4, 2010

Technical Director
Financial Accounting Standards Board
File Reference No. EITF100A
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. EITF100A

Dear Technical Director:

On behalf of Stout Risius Ross, Inc., I am pleased to submit the following response to the Financial Accounting Standards Board related to its proposed standard on how to calculate the carrying amount in Step 1 of goodwill impairment testing.

Stout Risius Ross, Inc. is a financial advisory firm specializing in Valuations & Financial Opinions; Investment Banking; and Dispute Advisory and Forensic Services. SRR's Valuation & Financial Opinions practice provides independent valuations for all purposes, including financial reporting, corporate tax planning, estate tax and regulatory filings, employee stock ownership plans and ERISA advisory services, fairness opinions and solvency opinions, and shareholder disputes, among other purposes.

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Question 1 - Do you agree that the equity premise should be the only permissible methodology for Step 1 of the goodwill impairment test? If not, why not?

We do not agree with the equity value premise. Rather, we believe that an enterprise value premise is more appropriate, as the testing for goodwill impairment should be "capital structure neutral," meaning that the amount of leverage within the capital structure is irrelevant and does not relate to the "operations" / value of a business's assets in accordance with ASC 350 (particularly in light of market participant assumptions). Therefore, we believe debt should always be excluded from the liabilities assigned to a reporting unit's carrying value and its measured fair value.

Goodwill arises when the total capital invested from a transaction exceeds the tangible and identified intangible assets purchased. Since it is originally calculated via the residual method and based on total capital invested, it is more consistent to perform the annual Step 1 testing on an enterprise value basis and exclude any subsequent changes in capital structure (e.g., recapitalization, etc.). Also, the actual calculation of goodwill impairment under Step 2 is estimated by performing another hypothetical purchase price allocation based on the total enterprise value derived in Step 1.

Testing on an enterprise value basis also eliminates the need to measure the fair value of the debt. Estimating the fair value of a reporting unit's debt would add to the scope, time incurred, and fees required to perform and review any Step 1 goodwill impairment test, thereby increasing the burden for reporting entities. Additionally, this exercise can add more subjectivity to a Step 1 test (e.g., what interest rate should be assigned to each tranche of debt for a nonpublic reporting entity that does not have an assigned credit rating or how are issues handled pertaining to change in control provisions and legal conclusions that may be required in order to opine on the value of the debt). Furthermore, many public companies are comprised of several nonpublic reporting units. Frequently, debt is raised and held at the



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corporate level and not allocated to each of these nonpublic reporting units, while the push down of the debt to each reporting unit can be cumbersome and judgmental.

Question 2 - Do you agree with the qualitative factors that have been provided for reporting units with zero or negative carrying amounts to consider in determining whether it is more likely than not that a goodwill impairment exists? If not, why not? Are there additional factors that also should be included?

Testing on an enterprise value basis will eliminate the need to assess whether or not goodwill impairment exists in a reporting unit(s) with a zero or negative equity carrying value.

Question 3 - Do you need more guidance on how to determine if it is more likely than not that goodwill is impaired at transition? If so, please describe what may be helpful with that determination.

As with question 2, testing on an enterprise value basis will eliminate the need for any additional guidance during transition.

Question 4 - For reporting entities that have used an enterprise premise to calculate the carrying amount of a reporting entity for Step 1 of the goodwill impairment test, do you believe that applying the amendments in this proposed Update would result in different conclusions about the need to perform Step 2? If so, please describe such scenarios.

Theoretically, there should be no difference in the Step 1 conclusion if the test is performed on an equity or enterprise value basis, provided each component of the capital structure is measured at fair value.

Nevertheless, there could be differences in practice if the application of methods/assumptions to determine the fair value of each is not completely consistent.

Question 5 - Do you agree with the proposed effective dates for public and non-public entities? Are they operational? If not, why not?

We disagree with the proposed standard and therefore have no comment on the proposed effective dates.

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We appreciate the opportunity to comment on this topic and look forward to reviewing the comments received by the FASB.

Sincerely,

Dominic M. Brault

Manager - Valuation & Financial Opinions

Stout Risius Ross, Inc.