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James L. Kroeker
Chief Accountant
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Mr Kroeker

Zimmer Holdings, Inc. ("Zimmer", "we", "us", "our" and other similar words) appreciates the opportunity to comment on the Securities and Exchange Commission's ("SEC") Staff Paper regarding one possible method of incorporation of International Financial Reporting Standards ("IFRS") into the U.S. financial reporting system.

We are a large accelerated filer that designs, develops, manufactures and markets orthopaedic reconstructive, spinal and trauma devices, dental implants and related surgical products. We have subsidiaries in approximately 30 countries. We have closely been monitoring the SEC's work plan for global accounting standards and have identified areas where IFRS would impact our financial statements.

We support the SEC's vision to move towards global accounting standards. More specifically, we support the method of incorporation in the Staff Paper, the so-called "condorsement" method, opposed to other methods that may be examined. We will discuss the reasons why we support this method throughout this letter.

We believe it is evident with the way our government operates that a U.S. mechanism, such as the Financial Accounting Standards Board ("FASB") and SEC will have final say on all accounting standards that U.S. registrants follow One only has to look at history to see how Congress has directly impacted the U.S. accounting profession through laws like the Sarbanes-Oxley Act or Dodd-Frank Act, and in their questioning of fair value accounting during the financial crisis, or stock option expensing before the share-based payment standard was adopted.

With such involvement from our government, it seems clear to us that simply adopting IFRS as issued by the International Accounting Standards Board ("IASB") is not a viable option. This would seem to rule out a "big-bang" method which would require U.S. registrants to adopt the entire body of IFRS all at once without FASB input. Incorporating IFRS under this methodology would seem to expose the SEC to undue scrutiny if there were to be another financial crisis, accounting errors by registrants under IFRS, or other negative publicity regarding financial reporting whether or not caused by IFRS.

Alternatively, if the big-bang method is selected, but the FASB is still going to be the final endorser of U.S. GAAP, it seems this process would take as long as or longer than the condorsement method as the FASB would have to go through the endorsement process of the entire body of IFRS before U.S. registrants would incorporate it. Additionally, such application method may be inefficient if the FASB begins endorsement processes on standards that are amended during the life of such endorsement project.

Reasons we support the condorsement method

We believe the condorsement method would lower the costs related to adoption. Under the big-bang method, due to the amount of work that would be necessary to coordinate our efforts across the world, we estimate it would call for a dedicated project team and potentially outside consultants to implement. However, under the condorsement method this implementation would be more gradual and we would probably rely on internal resources only Each standard endorsed by the FASB would be similar to adopting a single new accounting standard which we are accustomed to and believe we have the appropriate resources to manage on a consistent basis.

We also like the framework in the Staff Paper with the objective of maximizing the number of IFRSs incorporated prospectively We believe this will also be a big area of cost savings. The Staff Paper provides the example of fixed asset accounting where prospective application of the componentization requirements would be extremely beneficial to manufacturing companies like us that have fixed assets in use that are over thirty years old. Requiring retrospective application of that standard would take a significant amount of internal resources to compile, cost additional audit fees, and potentially cause qualified audit opinions in cases where historical books and records may not be sufficiently auditable.

This is just one brief example where prospective application would be beneficial and there are many others such as development costs, intangible assets, and taxes where retrospective application can be fraught with the concept of hindsight. We believe in most cases prospective application along with existing disclosure requirements related to the adoption of new accounting standards, or transitional disclosure requirements in any new endorsed standard would be sufficient for the users of financial statements.

We believe the condorsement method would simplify the needs and costs related to IT systems. One example would be in the case of prospective application versus retrospective application of standards. Under retrospective application, we would most likely have parallel ledgers during the transition period whereas prospective application of a standard would eliminate that need.

Currently, most of our international subsidiaries maintain two ledgers; one for statutory purposes, and one for U.S. GAAP (note – while many of subsidiaries are located in countries that have adopted IFRS, they are not publicly traded so they have not been required to adopt IFRS).

The big-bang method of incorporation with retrospective application would require those subsidiaries to have third ledger during the transition phase related to the U.S. GAAP endorsement of IFRS. Additionally, we are aware that some of our subsidiaries are located in countries that may require them to adopt IFRS for statutory purposes. In that case, it may be possible for them to have four different ledgers; one for current statutory purposes, one for IFRS in that country during the transition phase, one for U.S. GAAP as currently in place, and one for any U.S. GAAP endorsement of IFRS. We realize that due to the number of countries around the world adopting IFRS, the SEC no matter what incorporation method is selected could not eliminate the need for multiple ledgers. However, a framework maximizing prospective application objectives would be the easiest and lowest cost method for U.S. registrants with international subsidiaries subject to local reporting requirements.

Other comments regarding global accounting standards

We recognize the framework set forth in the Staff Paper calls for the FASB to modify and issue conflicting requirements with IFRS in only unusual circumstances. We want to emphasize this point that such modifications should be extremely rare since the goal is to have global accounting standards.

Take, for example, stock compensation. Both boards issued a stock compensation standard around the same time frame. However, significant differences exist in those standards such as accounting for graded-vesting stock options and taxes. We believe such fundamental differences should not exist in the standards.

We would support the FASB adding any necessary guidance to IFRS that would help ensure that U.S. registrants are applying the principles of the statement consistently In keeping with the stock compensation topic, we believe incorporating application guidance similar to what the SEC Staff Accounting Bulletin did on stock compensation would be an appropriate action by the FASB to enhance IFRS.

We also strongly encourage the SEC to consider reducing the number of years of comparative information in annual reports on Form 10-K from three years to two years. We believe our investors pay little attention to the third year of information for multiple reasons, including:

- With improving technology, such as XBRL, retrieving and analyzing data from prior filings is much easier and quicker than in the past; rendering the third year in annual financial statements unnecessary
- Generally speaking, we believe our investors closely monitor our quarterly press releases, conference calls and quarterly reports on Form 10-Q. Such information has financial comparisons only to the prior year. We believe this is common in the U.S. market. We believe investors place more focus on how we have performed versus the prior year and look to future earnings and cash generation opportunities as a basis for their investment decisions.

Removing a year from the annual report on Form 10-K would reduce the workload of our internal resources, and lower audit, printing and filing costs associated with the report. As it relates to IFRS, removing a year would be beneficial to reporting companies, especially as it relates to retrospective application of any accounting standard.

We also believe that if the SEC decides to adopt IFRS in some form that all companies should be required to comply on the same effective date. While we recognize that large companies may have a resource advantage, we believe it is imperative to the investment community that they can analyze companies of different sizes in the same industry and not have to understand the complexities of the differences in accounting rules. Additionally, we believe it can only improve audit efficiency and quality if the auditors do not have to juggle multiple accounting rules from client to client.

In closing, we support the SEC's vision to move towards global accounting standards and we support the use of the condorsement method to accomplish this. We believe the accounting profession is highly adaptable, with preparers and auditors focused on achieving deadlines and goals. In that regards, once the SEC sets a course of action we have little doubt that professionals across the U.S. will step-up to meet the challenge. Therefore, we believe it is imperative the SEC determines a course and sets a date certain sooner rather than later to allow the profession to continue plotting its course without the uncertainty IFRS incorporation currently has.

Sincerely,

James T Crines
EVP, Finance and CFO

Derek Davis
VP, Finance and Corporate Controller
and Chief Accounting Officer