FASB Fair Value Measurement - Deferral

Date of Entry: 5/30/2013

Respondent information

Type of entity or individual:

Industry Organization

Contact information:

Organization: ESOP Association - Finance committee

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Questions and responses

1. Do you agree with the indefinite deferral, as well as the Board's decision to defer for investments held by nonpublic employee benefit plans, only the quantitative information about the significant unobservable inputs used in Level 3 fair value measurement of its plan sponsor's own nonpublic entity equity securities, and not the qualitative information, required by paragraph 820-10-50-2(bbb)? Why or why not?

Yes. As a committee of financial experts that provide services to ESOP companies, we believe the deferral of the quantitative information about significant unobservable inputs in the valuation of employer securities of private companies is imperative to the protection of the ESOP company and the participants of the plan. The information that would be required to be disclosed as outlined in paragraph 820-10-50-2(bbb) would be available to anyone and everyone in the public, including competitors, suppliers, customers, plaintiff attorneys, venture capital firms, private equity as well as any other potential suitor for the company.

Nonpublic companies have a legitimate and reasonable expectation that sensitive company information will remain private. Where the employee benefit plan holds employer securities, this expectation would be severely compromised by the disclosure of quantitative information about the unobservable inputs as required by paragraph 820-10-50-2(bbb). Indeed, disclosing this information has the potential to put the nonpublic company at risk, thereby harming the participants that are intended to benefit from the employee benefit plan.

Do you agree with the limited scope of plan sponsor's own nonpublic entity equity securities covered by the proposed Update? If not, what other investments should be included or excluded from the guidance in the proposed Update and why?

Yes. We are satisfied that the exclusion is very narrow in scope and addresses the specific issues that the ESOP community and more specifically ESOP companies have brought forward. Should a plan have other level 3 investments, the required disclosures are appropriate as they do not impact the company's performance, competitive advantages or proprietary information.

3. Do you agree with the scope of the employee benefit plans in this proposed Update? If not, which other employee benefit plans should be included or excluded from the guidance in the proposed Update and why?

Yes. The limited scope of the deferral for nonpublic employee benefit plans addresses the issue being brought forth by the ESOP community. However, other non-ESOP employee benefit plans that hold nonpublic employer securities should be afforded the same protection as ESOPs.

4. Do you agree with the definition of nonpublic employee benefit plan? Is it understandable and operable?

Yes. We appreciate the Board addressing this need for clarification from the original pronouncement. We believe that it was always the intent that a nonpublic employee benefit plan be defined as a plan not subject to reporting on Form 11-K.

Additional Please provide any additional comments on the proposed Update: comments-updt.

Employee ownership, as provided for in the Internal Revenue Code and ERISA, offers employees the benefits of ownership in the organization to which they contribute their daily efforts. Protecting the value of this investment is at the heart of this proposal and we applaud the Board for its responsiveness in addressing this issue.

Additional Please provide any comments on the electronic feedback process: comments - process.

This process provided for an easy and concise way to respond.