May 28, 2013

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

Re: Impact of required disclosures under Accounting Standards Update (ASU) 2011-04 on private companies with ESOP ownership (“private ESOP companies”)

We have recently become aware of circumstances that we believe could negatively affect existing private ESOP companies and deter the creation of new ESOPs and other forms of employee ownership of private companies. We are concerned that recent decisions by FASB could cause companies to terminate ESOPs and discourage other companies from adopting them. Research suggests that this would reduce job creation, damage retirement security, and weaken companies.

In the past few years, the Department of Labor (DOL) has made Form 5500s filed by plan sponsors available to the public via its website. The Form 5500 available online includes the entire Form 5500 filing, which encompasses the plan’s audited financial statements and related disclosures.

In May, 2011, ASU 2011-04 was issued, adding additional disclosure requirements with respect to Level 3 fair value measurements. This would include employer securities held by an ESOP as well as other types of employee benefit plans. As further explained below, these new disclosure requirements can give insight to the operations of the company, its financial condition, and the process and methodology for determining the fair value of the employer securities.

For fair value measurements categorized within Level 3 of the fair value hierarchy, ASU 2011-04 requires the disclosure of i) quantitative information about the unobservable inputs used in determining fair value and ii) the valuation process and methodologies used in determining fair value. Specifically, the Standard requires the disclosure to include quantitative information about the significant unobservable inputs used in the fair value measurement. To comply with these new requirements, we understand the nature of these disclosures could include items such as i) the weighted average cost of capital used in the discount cash flow method, ii) pricing multiplies applied (i.e., price to earnings, revenue multiples, etc.), iii) operating margins, iv) long-term revenue growth rates, and v) other sensitive information. This is consistent with the example in the implementation guidance and illustrations included within the Standard. Although these disclosures are required for
each class of assets or liabilities, generally, the investment in the Sponsor’s equity securities is the
only Level 3 measurement in the financial statements of an ESOP and therefore there is only one
asset within the class. Therefore, the information disclosed would be specific to the entity, and
disclosing a range or weighted average does not appear to be an available option.

These disclosures would provide the public with information regarding private ESOP companies that
otherwise would not be available. Collectively, these disclosures could allow readers to recreate a
financial picture of the company. As you can imagine, in the hands of competitors, customers and
suppliers, this information could be damaging to the company and ultimately its employee-owners.
Even more threatening may be the ability of corporate raiders to precisely ascertain the financial
condition of otherwise private companies, enabling them to launch takeovers which ultimately work
to the detriment of employee-owners who could lose the opportunity to own their companies. We are
also concerned about other unforeseen negative consequences as a result of making such information
publicly available. Ultimately, we believe it is important to keep this type of information as it relates
to private ESOP companies just that—private.

We believe the primary user of employee benefit plan financial statements is the DOL in fulfilling its
regulatory responsibilities. The DOL has always had and will continue to have the ability to interact
directly with company management to answer questions or to obtain additional information related to
Level 3 fair value measurements. Plan participants may also be viewed as potential users of the plans
financial statements. By law, they have historically had the ability to obtain copies of the plan
financial statements but have rarely done so. However, by law, participants are not required to
receive financial information regarding the company. Participants are also not entitled to receive
information regarding the company valuation. We believe that the disclosure of this information
provides little or no practical value to the primary users of the financial statements but may, in the
long run, in fact harm existing and potential plan participants as discussed above because it may
harm their companies and discourage the creation of new plans. We therefore believe the cost
outweighs the benefits associated with this disclosure.

We realize ASU 2011-04 was comprehensive, applying to all reporting entities required or permitted
to measure the fair value of an asset or liability on a recurring basis. Given the broad scope of ASU
2011-04, we are doubtful that FASB was focused on disclosures of employer securities or that it
received requests from users regarding the need for such information. Therefore, it is our hope and
belief that FASB did not develop ASU 2011-04 with the intent of making said information publicly
available, and that this is merely an unintended consequence.

On behalf of the thousands of private ESOP companies in the U.S. and the millions of employees
currently enjoying the benefits of an ownership stake in those companies, we respectfully request
FASB exempt employer securities held by ESOPs and other non-public employee benefit plans
(benefit plans other than those required to file financial statements with the SEC on Form 11-K) from
the quantitative and qualitative disclosures required for Level 2 and Level 3 fair value measurements
required under ASC 820-10-50 as amended by ASU 2011-04 (specifically paragraphs 820-10-50-2-
bbb, f and g). We also respectfully request FASB give immediate attention to this matter, as the
disclosure requirements under ASU 2011-04 take effect for non-public entities for periods beginning
on or after December 15, 2011 (calendar years ending December 31, 2012) and employee benefit
plans generally must file their Form 5500s with the Department of Labor within seven months of
their year end.

We sincerely appreciate the opportunity to share our concerns with FASB. Thank you.
Sincerely,

Carl Ogburn
Executive Vice-President
Chestnut Ridge Foam Inc.
443 Warehouse Drive
Latrobe, PA. 15650
1-800-234-2734
(724)537-9000 ext. 261
Fax: (724)537-9003
cogburn@chestnutridgefoam.com