

# ***FASB Fair Value Measurement - Deferral***

Date of Entry: 5/29/2013

## **Respondent information**

### **Type of entity or individual:**

Preparer

### **Contact information:**

*Organization:* College Loan Corporation

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*Phone number:*

## **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?

ESOPS should be excluded, as well as all nonpublic data for privately held companies.

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2. 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?

ESOPS should be excluded, as well as all nonpublic data for privately held companies.

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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?

ESOPS should be excluded, as well as all nonpublic data for privately held companies.

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

ESOPS should be excluded, as well as all nonpublic data for privately held companies.

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

Recommendation: We recommend an exemption for ESOP plans from the requirements proposed in ASU 2011-4 that would harm the participants of those plans.

Comments: CLC Employee Stock Ownership Plan (the Plan) owns common stock of College Loan Corporation (CLC), a privately held Nevada corporation based in Las Vegas. With the issuance of ASU 2011-4 the Board clarified that a reporting entity should disclose quantitative information about the significant unobservable inputs used in a fair value measurement categorized within Level 3 of the fair value hierarchy. This would require the CLC Employee Stock Ownership Plan to disclose more information about College Loan Corporation in its financial statements.

CLC is concerned that the requirements proposed in ASU 2011-4 would expose CLC's private information to more parties that are not users of the Plan's financial statements than the users of those statements, which are primarily participants in the Plan and the Trustee.

Every year, CLC engages a third-party valuation firm to determine the stock price. After the valuation is determined, the information is shared with the Plan Administrator and then reviewed by the fiduciaries at CLC and the Plan Trustee. CLC provides statements to the participants annually displaying the changes in their plan value and files the 5500 with the financial statements with the US Department of Labor. Requiring the disclosures proposed in ASU 2011-4 would not help our users more than it would hurt them; the requirements would assist our competitors as they would be able to glean information from the financial statements that are filed and could potentially make decisions that are detrimental to the future success of CLC, lowering our enterprise valuation and thus harming the Plan's participants due to declining stock prices.

We also believe that most participants of any ESOP plan are not sophisticated enough to understand valuation techniques regardless of the amount of information disclosed, thus CLC believes the information we currently provide is sufficient. We noted in the Board's basis for conclusions:

BC86. Some respondents questioned the usefulness of quantitative information about the unobservable inputs used in a fair value measurement because of the level of aggregation required in those disclosures. The Boards noted that the objective of the disclosure is not to enable users of financial statements to replicate the reporting entity's pricing models but to provide enough information for users to assess whether the reporting entity's views about individual inputs differed from their own and, if so, to decide how to incorporate the reporting entity's fair value measurement in their decisions. The Boards concluded that the information required by the disclosure will facilitate comparison of the inputs used over time, providing users with information about changes in management's views about particular unobservable inputs and about changes in the market for the assets and liabilities within a particular class. In addition, that disclosure might facilitate comparison between reporting entities with similar assets and liabilities categorized within Level 3 of the fair value hierarchy.

For a privately held company, how could a fair comparison be made without obtaining the financial statements of CLC and comparing it to other companies? While that is not the proposal, the standards proposed do not really address the intention of the Board and understandably so; how can an unobservable input be made observable and comparative?

We also noted the following in the basis for conclusions

BC91. The Boards decided to require a reporting entity to disclose the valuation processes used for fair value measurements categorized within Level 3 of the fair value hierarchy (including, for example, how a reporting entity decides its valuation policies and procedures and analyzes changes in fair value measurements from period to period). They made that decision because users of financial statements told the Boards that information about a reporting entity's valuation processes helps them to assess the relative subjectivity of the reporting entity's fair value measurements, particularly for those categorized within Level 3 of the fair value hierarchy. We find it highly doubtful that these comments were made by ESOP participants and trustees, the primary users of ESOP financial statements. Both of those stakeholders would not want to jeopardize the sponsoring company's success by requiring private information being made public. We recommend an exemption for ESOP plans from the requirements proposed in ASU 2011-4

that would harm the participants of those plans. After all, what good is curing a disease if it kills the patient?

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

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