

OUTLINE FOR PRIVATE COMPANY FINANCIAL REPORTING COMMITTEE

- I. Committee Purpose
 - A. Mission
 - B. Objectives
- II. Committee Structure
 - A. Background
 - B. Representation
 - C. Chair person - overview
 - D. Member Rotation
 - E. Nominations and appointments process
 - F. Strategic planning subcommittee
 - G. Staffing – overview
- III. Committee Operations for Objective 1
- IV. Committee Operations for Objectives 2 and 3
 - A. Meeting procedures and sunshine
 - B. Meeting frequency and locations
 - C. Quorum requirements
 - D. Meeting highlights
 - E. Agenda topics
 - F. Meeting materials format and content
 - G. Distribution of meeting materials
 - H. Voting procedures
 - I. Liaising with other key constituent groups/industry regulators
 - J. Use of task forces or working groups
- V. Committee Output
 - A. Form
 - B. Document clearance subsequent to meetings
 - C. Availability to the public
- VI. Availability to Public
- VII. Sunset Review
- VIII. Committee Member Role and Responsibilities
- IX. Committee Staff Roles and Responsibilities
 - A. AICPA
 - B. FASB
- X. Budget/Funding
- XI. Significant Changes to Committee Procedures

I. Committee Purpose

Mission: To consider differences in prospective and existing GAAP accounting standards related to private companies based on user needs and cost/benefit considerations, and make formal recommendations to the Financial Accounting Standards Board. (Note that the Committee will discuss and decide how it will operationalize this for objectives 2 and 3.)

Objective 1 - Committee members individually serve as a resource to FASB, EITF, and FASB Staff during FASB staff research phase before an exposure draft is developed.

Objective 2 – Committee makes formal recommendations to FASB on prospective standards setting activities

- Committee sets its own agenda.
- Committee typically meets in public to (1) discuss early stage FASB standard setting initiatives, (2) deliberate, and (3) reach conclusions about any need for differences in private company accounting in accordance with GAAP.
- Committee makes formal recommendations to FASB Board.

Objective 3 – Committee makes formal recommendations to FASB on existing standards

- Committee sets its own agenda.
- Committee typically meets in public to deliberate and reach conclusions about any need for differences in existing GAAP related to private company accounting in accordance with GAAP.
- If conclusion is a need for differences, Committee makes a formal recommendation to FASB Board.

For objectives 2 and 3, the committee will decide how to operationalize its assessment of user needs and cost/benefit considerations.

II. Committee Structure

Background

The Committee is part of a broad initiative to make certain improvements to the FASB's current processes for determining whether differences are needed in prospective and existing accounting standards for private company financial reporting.

Representation

1 Chair person

4 Users – 2 lenders, 1 private equity investor, 1 surety.

4 Preparers/Owners – size variation.

4 Practitioners – size variation.

Committee members serve as volunteers.

Chair Person - Overview

The Chair of the Committee is a paid part time position.

The Chair votes in situations in which the Chair's vote is needed to form a definitive committee position.

In selecting a Chair, careful consideration should be given to a person's leadership potential, background, ability, and accomplishments. Following are some specific considerations.

- The ability to communicate
- Knowledge of the subject area
- Prior record of initiative in and participation in financial reporting matters
- Prestige and respect within the arena of financial reporting
- Respect of other Committee members and of those who will be guided by Committee recommendations
- Availability of time and resources to carry out the responsibilities
- Ability to create the right atmosphere for productive Committee work
- Ability to command attention and to inspire others
- Willingness to listen, to be open-minded, and to encourage free expression of ideas, opinions, and recommendations by Committee members
- Ability to control flow of meeting without domination

- Understanding of relationships within Committee and the Committee's relationship with other constituent groups
- Understanding and recognition of the position and role of the staff and the need for a close working relationship with the staff

Member Rotation

Each Committee member is appointed for an annual term that generally does not exceed 3 consecutive years.

Nominations and Appointments Process

Nominations for service on the Committee may come from any interested party and should be directed to Chair of the Committee. The Committee Chair appoints members, subject to final review of those members by FASB and AICPA.

Strategic Planning Subcommittee

The strategic planning subcommittee assists the Committee Chair in the execution of certain strategic, administrative, and technical responsibilities. The subcommittee helps set the Committee's priorities.

The Committee Chair appoints the subcommittee, which consists of one representative from each of the Committee constituent groups, in addition to the Chair.

Staffing – Overview

The Committee Chair ensures that the Committee receives adequate staff resources to ensure the Committee will successfully achieve its objectives. Staff support comes from FASB and AICPA.

III. Committee Operations for Objective 1

Committee members make themselves available as individuals to provide informal, confidential input to FASB staff during the research phase of FASB projects.

In certain circumstances, the Committee might meet to provide Committee input to the FASB staff.

IV. Committee Operations for Objectives 2 and 3

Meeting Procedures and Sunshine

Because the work of the Committee is deliberative, requiring a free interchange of ideas, and because adherence to formal rules of order might inhibit such an exchange, Committee meetings are conducted informally rather than on the basis of formal rules of order.

Committee meetings typically are open to the public. Sessions dealing with administrative or confidential matters are not open to the public. Committee conference calls typically are not open to the public for reasons of practicability.

A portion of each meeting will allow for an open town hall where audience members may ask questions or offer comments to the Committee. Audience members must indicate their intention to speak by completing a sign in sheet.

Notwithstanding the town hall concept, the Committee Chair may designate official observer status to certain parties. Observers do not sit at the Committee table but may be recognized by the Committee Chair to speak.

The dates, location, agenda, and materials of each meeting are public information and can be found on www.pcfr.org.

Meeting Frequency and Locations

The Committee generally meets in person 4-6 times per year along with conference calls as needed. Meeting locations are at the discretion of the Chair.

In person meetings are no longer than a day and a half, while conference calls are no longer than a half day.

Quorum Requirements

Two thirds of the members of the Committee present constitutes a quorum. A member's representative is not considered in determining whether there is a quorum of the Committee.

Meeting Highlights

Brief highlights of Committee meetings are posted to www.pcf.org upon preparation of and review by Committee staff and the Committee Chair, respectively.

The highlights are not intended to summarize all matters discussed; rather the highlights are designed to be a communication tool of definitive actions taken or proposed by the Committee.

Agenda Topics

The Committee's meeting agenda is set by Chair, with the assistance of the strategic planning subcommittee.

Meeting Materials Format and Content

Objective 2 and 3: Exact format to be determined by Committee Chair.

Distribution of Meeting Materials

Meeting materials usually are distributed to the Committee three weeks in advance of a meeting but under certain circumstances may be distributed two weeks in advance.

Meeting materials are posted to www.pcf.org for public consumption at least one week before a Committee meeting.

Voting Procedures

Votes on all matters may be taken at the discretion of the Chair by a show of hands at a Committee meeting. Motions to set forth formal Committee recommendations to FASB require the affirmative vote of two-thirds of the members of the Committee, as ultimately indicated in a formal ballot.

Liaising with Other Key Constituent Groups/Industry Regulators

Objective 2 – Time constraints in commenting on an exposure draft will not allow for a major research effort. At best, the Committee may be able to reach out to a limited wider audience (such as to existing financial reporting groups of other organizations) to help it frame its positions on issues. The Committee likely will need to reach conclusions in one in-person meeting but may have conference calls prior to an in-person meeting.

Objective 3 – Any time constraints on the Committee would be self imposed. The Committee will have more time to do a comprehensive outreach to others.

Use of Task Forces or Working Groups

The Committee may choose to enlist the help of others for efforts related to Objective 3. Time constraints likely will prevent such considerations for Objective 2.

V. Committee Output

Form

Other than communication pieces (such as meeting highlights) and meeting materials, the Committee develops formal position papers, in the form of recommendations to FASB, when the Committee believes differences in GAAP accounting standards related to private companies are warranted. Such papers should provide the basis for the Committee's positions.

If the Committee supports or does not disagree with prospective or existing GAAP accounting standards related to private companies, the Committee will acknowledge that it considered such matters and state its position briefly and without providing its basis.

If the Committee is unable to make a determination or if it has a split vote, it will indicate that fact and provide a brief explanation of the situation.

Document Clearance Subsequent to Meetings

Formal position papers, which act as formal recommendations to FASB, are approved for issuance by the Committee via formal ballot, including if a hand vote was taken on a draft in a Committee meeting.

VI. Availability to Public

Position papers, meeting highlights, and meeting materials will be posted to www.pcf.org.

Committee will form a resource group with the intent of having two-way communications.

VII. Sunset Review

The FASB and AICPA will perform periodic reviews to determine the effectiveness of the Committee's operations.

VIII. Committee Member Role and Responsibilities

There are certain basic responsibilities that should be assumed by every Committee member.

- represent individual views regardless of employer or membership affiliation
- review the agenda and related background material prior to a meeting
- take an active part in all discussions
- share information with the group from experience directly related to a subject or problem under discussion
- understand and respect other ideas or conflicting viewpoints
- attack issues objectively and impersonally
- stay on the subject under discussion
- ask for clarification on any point or issue not fully understood
- acknowledge all communications involving an individual's work on a Committee project promptly
- accept and follow through on assignments
- get acquainted with the Chair and other members
- determine availability for Committee meetings and inform the staff as soon as possible
- make sure one's own organization or superiors are fully aware of commitments for meetings and assignments

IX. Committee Staff Roles and Responsibilities

The staff is open minded on issues and understands that the Committee is authorized to make decisions related to achieving its mission.

The staff should assist the Committee to the fullest extent possible by researching and providing background information thereby allowing the Committee to make sound decisions. This includes providing appropriate reference materials for each meeting, identifying the elements of an issue, identifying questions that may need answering, participating in the discussion, endeavoring tactfully to persuade members to adopt a sound decision based on supportable evidence.

The staff supports the Committee Chair in preparing the meeting agenda, materials, and highlights, and otherwise coordinating Committee activities and sharing information with other groups, as appropriate.

X. Budget/Funding

The Committee Chair is responsible for submitting a Committee operating budget, which includes Chair pay, member expense reimbursement, staffing

resources, etc. The budget is approved by the FASB Chairman and paid for out of FASB operating funds.

XI. Significant Changes to Committee Procedures

The Committee Chair is empowered to make significant changes to Committee procedures, subject to final review of those changes by FASB and AICPA.