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**Amendment to Statement on Auditing Standards No. 122 Section
920, Letters for Underwriters and Certain Other Requesting
Parties, as Amended; Statement on Auditing Standards no. 129**

American Institute of Certified Public Accountants. Auditing Standards Board

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Issued by the Auditing Standards Board

129
July 2014

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Standards No. 122
Section 920, Letters
for Underwriters
and Certain Other
Requesting Parties, as
Amended**

(Amends AU-C section 920, Letters for Underwriters and Certain Other Requesting Parties [AICPA, Professional Standards])

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Statement on Auditing Standards Amendment to Statement on Audit- ing Standards No. 122 Section 920, Letters for Underwriters and Certain Other Requesting Parties, as Amended

Amendment to AU-C Section 920, *Letters for Underwriters and Certain Other Requesting Parties*, as amended (AICPA, *Professional Standards*)

1. Statement on Auditing Standards (SAS) No. 122 section 920 addresses the auditor's responsibilities when engaged to issue letters (commonly referred to as *comfort letters*) to requesting parties in connection with a nonissuer entity's financial statements included in a registration statement or other securities offerings. This amendment

- amends the requirement to inform the requesting party that the auditor cannot provide any assurance regarding the sufficiency of the procedures for the requesting party's purposes by changing "state in any discussion" to "communicate" so as to provide the auditor with more flexibility in making this required communication.
- clarifies that the requirement for the auditor to read the comfort letter issued by component auditors whose report is included in the securities offering applies to each component auditor, not only those comfort letters related to significant components.
- amends the requirement to attach the review report when the auditor states in the comfort letter that the auditor has performed a review of unaudited interim financial information to a requirement to attach the review report when the auditor states in the comfort letter that the auditor has issued a review report on unaudited interim financial information.

- amends application material to indicate that attaching the review report on unaudited interim financial information is required when the auditor states in the comfort letter that the auditor has issued a review report on unaudited interim financial information.
- amends example D to change the concluding paragraph from referring to the pro forma bases described in the notes to the pro forma financial statements to referring to the applicable accounting requirements of Rule 11-02 of Regulation S-X and renumbers example D as example D-1.
- adds example D-2 to address providing negative assurance on pro forma financial information as to compliance with pro forma bases as described in the pro forma financial information.
- amends example O to include wording to address procedures performed with regard to pro forma information and subsequent change period not previously carried forward from AU section 634, *Letters for Underwriters and Certain Other Requesting Parties*.
- makes additional editorial changes for clarity and consistency.

Boldface italic denotes new language. Deleted text is in ~~strike-through~~.

[No amendments to paragraphs .01–.06.]

.07 For purposes of this section, the following terms have the meanings attributed as follows:

...

Closing date. The date on which the issuer of the securities or selling security holder delivers the securities ~~to the underwriter~~ in exchange for the proceeds of the offering.

...

[No amendments to paragraph .08.]

.09 The auditor should determine whether to accept an engagement to issue a comfort letter in connection with financial statements included in a securities offering. The auditor is ~~not~~ ***neither*** required to accept such an engagement ***nor required to provide comfort on***

every matter requested when accepting an engagement to issue a comfort letter.

[No amendments to paragraph .10.]

.11 The auditor should request the requesting party to provide either

- a. a written opinion from external legal counsel that the requesting party has a statutory due diligence defense under Section 11 of the 1933 Act; or (**Ref: par. .A2**)
- b. a representation letter that
 - i. is addressed to the auditor;
 - ii. contains the statement, “The review process applied to the information relating to the issuer **of the securities**; is, or (will be,) substantially consistent with the due diligence process that we would perform if this securities offering were being registered pursuant to the Securities Act of 1933. We are knowledgeable with respect to that due diligence process.”; and (Ref: par. .A3–.A4)
 - iii. is signed by the requesting party.

.12 If a requesting party, other than an underwriter, requests a comfort letter but does not provide the legal opinion or representation letter described in paragraph .11, the auditor should not provide negative assurance on the financial statements as a whole, or on any of the specified elements, accounts, or items thereof. In such circumstances, the comfort letter should include the following statements: (Ref: par. .A5)

- a. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in the preceding paragraphs; rather, the procedures enumerated therein are those that the requesting party asked us to perform. Accordingly, we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages previously listed as set forth in the *[offering*

circular memorandum]. Further, we have addressed ourselves solely to the foregoing data and make no representations regarding the adequacy of disclosures or whether any material facts have been omitted. This letter relates only to the financial statement items previously specified and does not extend to any financial statement of the company as a whole. (Ref: par. .A6)

- b. The foregoing procedures do not constitute an audit **or a review** conducted in accordance with generally accepted auditing standards. Had we performed additional procedures or had we conducted an audit or a review of the company's [*give dates of any interim financial statements*] consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, other matters might have come to our attention that would have been reported to you.

...

- d. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities covered by the [*offering circular memorandum*]. It is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to, the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the offering document or any other document, except that reference may be made to it in any list of closing documents pertaining to the offering of the securities covered by the offering document.

[No further amendments to paragraph .12. No amendments to paragraphs .13–.16.]

.17 The auditor should clearly **state in any discussion of procedures communicate** that the auditor cannot provide any assurance regarding the sufficiency of the procedures for the requesting party's purposes. (Ref: par. .A11–.A14)

.18 The auditor should provide **the requesting party with** a draft of the form of the letter the auditor expects to furnish. To the extent possible, the draft should deal with all matters to be covered in the final letter and should use exactly the same terms as those to be used in the final letter, subject to the understanding that the comments in

the final letter cannot be determined until the procedures underlying it have been performed. The draft letter should be identified as a draft to avoid giving the impression that the procedures described therein have been performed. (Ref: par. .A15)

[No amendments to paragraphs .19–.20.]

.21 When the comfort letter relates to group financial statements *Situations may exist in which one or more component auditor's report is included in the securities offering. When comfort letters are issued to requesting parties by those component auditors*, the auditor of the group financial statements should read *those* comfort letters of the component auditors reporting on significant components. The auditor *of the group financial statements* should state in the comfort letter that

- ~~a. reading the component auditors' letters was one of the procedures followed, and~~
- ~~b. the procedures, other than *relating to those components consisted solely of* reading the component auditors' *comfort* letters, performed by the auditor of the group financial statements, relate solely to entities audited by the auditor of the group financial statements and to the group financial statements. (Ref: par. .A18)~~

[No amendments to paragraphs .22–.45.]

.46 The negative assurance provided regarding such unaudited interim *financial* information should be about whether

...

.47 If the auditor states in the comfort letter that the auditor has performed a review of *issued a review report on* the unaudited interim financial information, the auditor should attach the review report to the letter unless the review report is already included in the securities offering. (Ref: par. .A53)

[No amendments to paragraph .48. Paragraph .49 is moved to follow paragraph .51. Paragraphs .50–.51 are renumbered as paragraphs .49–.50.]

~~**.49** When the auditor is requested by the requesting party to provide negative assurance on the unaudited interim financial information, or information extracted therefrom, for a monthly period~~

ending after the latest financial statements included in the securities offering, the requirements in paragraphs .45–.48 apply. In such a circumstance, a copy of the unaudited interim financial information should be attached to the comfort letter.

.5150 The auditor should not provide negative assurance on selected capsule financial information regarding whether the dollar amounts were determined on a basis substantially consistent with that of the corresponding amounts in the audited financial statements unless the auditor has performed a review of the financial statements underlying the capsule financial information in accordance with GAAS applicable to reviews of interim financial information. Otherwise, the auditor is limited to reporting procedures performed and findings obtained. (Ref: par. .A57)

.51 *When the auditor is requested by the requesting party to provide negative assurance on the unaudited condensed interim financial information, or information extracted therefrom, for a monthly period ending after the latest financial statements included in the securities offering, the requirements in paragraphs .45–.48 apply. In such a circumstance When the auditor provides negative assurance on such information, a copy of the unaudited interim financial information should be attached to the comfort letter. (Ref: par. .A57)*

[No amendments to paragraph .52.]

.53 The auditor should not provide negative assurance in a comfort letter on pro forma financial information, including negative assurance on

- ...
- whether the pro forma financial information complies as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X,^{fn 3} **or with the pro forma bases as described in the pro forma financial information, as applicable,**

unless the auditor has obtained the required knowledge described in paragraph .52 and has performed

^{fn 3} Regulation S-X, “Form and Content of and Requirements for Financial Statements, Securities Act of 1933, Securities Exchange Act of 1934, Public Utility Holding Company Act of 1935, Investment Company Act of 1940, and Energy Policy and Conservation Act of 1975.”

- a. an audit of the annual financial statements, or
- b. a review of the interim financial statements **information**, in accordance with GAAS applicable to reviews of interim financial information,

...

[No amendments to paragraphs .54–.56.]

.57 If ~~the~~ **a** financial forecast **that the auditor has not examined** is included in the securities offering, the auditor should not issue a comfort letter unless the financial forecast is accompanied by an indication that the auditor has not examined the financial forecast and, therefore, does not express an opinion on it. (Ref: par. .A62)

[No amendments to paragraphs .58–.59.]

.60 When the requesting party requests negative assurance regarding subsequent changes in specified financial statement items as of a date 135 days or more from the end of the most recent period for which the auditor has performed an audit or a review, the auditor is limited to reporting procedures performed and findings obtained. (**Ref: par. .A67**)

.61 In commenting on subsequent changes, the auditor should not characterize subsequent changes using ambiguous terms, such as referring to the change as “adverse.” The auditor should note in the comfort letter if there has been a change in the application of the requirements of the applicable financial reporting framework. (Ref: par. ~~.A67~~ .A68)

[No amendments to paragraphs .62–.A2.]

.A3 What is “substantially consistent” may vary from situation to situation and may not be the same as that done in a registered offering of the same securities for the same **issuerentity**. Whether the procedures being, or to be, followed will be “substantially consistent” is determined by the requesting party on a case-by-case basis.

[No amendments to paragraphs .A4–.A17.]

~~**.A18**—Situations may exist in which more than one auditor is involved in the audit of the financial statements of a business and in which the reports of more than one auditor appear in the registration statement. For example, certain significant divisions, branches, or subsidiaries may be audited by component auditors.~~

[No amendments to paragraphs .A19–.A25.]

.A26 Comments included in an earlier letter that relate to information in the securities offering as most recently amended may be incorporated by reference in a subsequent letter. Exhibit B, example C, “Letter Reaffirming Comments in ~~Example A~~ as of a Later Date,” provides an example of such reference.

[No amendments to paragraph .A27.]

.A28 The requesting party ~~occasionally requests~~ ***might request*** that the auditor repeat in the comfort letter the report on the audited financial statements included in the ~~registration statement~~ ***securities offering***. Because of the significance of the date of the auditor’s report, the auditor is not permitted to agree to this request.

[No amendments to paragraphs .A29.]

.A30 A requesting party may request that the auditor comment in the comfort letter on

...

Such modifications of the auditor’s report in the ~~registration statement~~ ***securities offering*** would ordinarily be referred to in the opening paragraph of the comfort letter (see also paragraph .43). Additional comments on such unaudited information are, therefore, unnecessary. However, if the requesting party requests that the auditor perform procedures with regard to such information in addition to those procedures performed in connection with the review or audit as prescribed by section 930 and section 730, the auditor may do so and report the findings.

.A31 The requesting party ~~occasionally requests~~ ***might request*** negative assurance regarding the auditor’s report. Because auditors have a statutory responsibility with respect to their opinion as of the effective date of a securities offering and because the additional significance, if any, of negative assurance is unclear and such assurance may, therefore, give rise to misunderstanding, the auditor is not permitted to provide such negative assurance.

[No amendments to paragraph .A32.]

.A33 ~~If the reports are~~ ***When the auditor makes reference to having issued a review report on the interim financial information, the auditor is required by paragraph .47 to attach***

the review report to the comfort letter if the review report is not included in the securities offering, they may. The other reports listed in paragraph .A32 may also be attached to the comfort letter.

[No amendments to paragraphs .A34–.A51.]

Unaudited Interim Financial Information (Ref: par. .45–.49.48)

.A52 The SEC requirements specify condensed financial statements. However, the requirements in paragraphs ~~.45–.49~~**paragraphs .45–.48** also apply to complete financial statements. For purposes of this section, interim financial ~~statements~~**information** may be for a 12-month period ending on a date other than the entity's normal year-end.

[No amendments to paragraphs .A53–.A58.]

.A59 Exhibit B, example D, “Comments on Pro Forma Financial Information,” provides an ~~illustration~~**illustrations** of wording regarding procedures performed ~~negative assurance~~ **negative assurance** on pro forma financial information **as to compliance with the applicable accounting requirements of Rule 11-02 of Regulation S-X or with the pro forma bases as described in the pro forma financial information. Exhibit B, example O, provides an illustration of wording regarding procedures performed and findings obtained for pro forma financial information.**

~~.A60~~ When an entity's securities are subject to regulation by the SEC and the auditor agrees to perform a compilation of a financial forecast, the SEC's views regarding independence are relevant. Independence may be deemed to be impaired when services include preparation or assembly of financial forecasts.

[No amendments to paragraphs .A61–.A62.]

.A63 Comments regarding subsequent changes typically relate to whether, during the change period, there has been any

...

These comments might also address such matters as subsequent changes in the amounts of

- net current assets or stockholders' equity attributable to the entity.

- net sales and the income before from continuing operations and of net income or net income attributable to the entity.

[No amendments to paragraphs .A64–.A66.]

.A67 An appropriate manner of expressing negative assurance regarding subsequent changes is shown in exhibit B, in example A-1 if there has been no **change, increase, or decrease, as applicable**, and in example M, “Alternate Wording When Auditors Are Aware of a Decrease in a Specified Financial Statement Item,” if there has been a decrease.^{fn 20} **Example M may be modified when auditors are aware of a change or increase.** Exhibit B, example O provides an illustration of reporting procedures performed and findings obtained when the procedures that the requesting party has requested the auditor to perform on interim financial information are less than a review performed in accordance with GAAS applicable to reviews of interim financial information **relating to the subsequent change period.**

[No amendments to paragraph .A68.]

.A69 The comparison for the change period relates to the entire period and not to portions of that period. A decrease during one part of the period may be offset by an equal or larger increase in another part of the period; ~~however, because~~ **Because** no decrease for the period as a whole existed, the comfort letter would not report the decrease occurring during one part of the period.

.A70 When more than one auditor is involved, the auditor of the group financial statements may comment that there were no decreases in the consolidated financial statement items, when appropriate, despite the possibility that decreases have been mentioned in a comfort letter issued by a component auditor. Exhibit B, example J, “Alternate Wording When ~~More Than One Auditor Is~~ **Component Auditors Are Involved**,” contains an illustration of wording when more than one auditor is involved.

[No amendments to paragraphs .A71–.A72.]

.A73 The requesting party ~~occasionally requests~~ **might request** that the change period begin immediately after the date of the latest audited balance sheet (which is, ordinarily, also the closing date

^{fn 20} Paragraphs 5b and 6 of example A-1 in exhibit B.

of the latest audited statement of income) in the securities offering, even though the securities offering includes a more recent unaudited balance sheet and statement of income. The use of the earlier date may defeat the requesting party's purpose because it is possible that an increase in one of the items referred to in paragraph .A63 occurring between the dates of the latest audited and unaudited balance sheets included in the securities offering might more than offset a decrease occurring after the latter date. A similar situation might arise in the comparison of income statement items. In these circumstances, the decrease occurring after the date of the latest unaudited interim financial statements **information** included in the securities offering would not be reported in the comfort letter.

[No amendments to paragraphs .A74–.A76.]

.A77 Options for describing the procedures performed and the findings obtained include

...

- identifying procedures performed with specified symbols and identifying items to which those procedures have been applied directly on a copy of the **prospectus securities offering**, which is attached to the comfort letter.

[No amendments to paragraphs .A78–.A91.]

Exhibit A—Illustration of Representation Letter From Requesting Party (Ref: par. .A4)

.A92 The following is an example of a letter from a nonunderwriter when the securities offering is not being registered under the Securities Act of 1933. *If requested to provide a definition of substantially consistent, the following language may be added to the letter:*

What is substantially consistent may vary from situation to situation and may not be the same as that done in a registered offering of the same securities for the same entity. Whether the procedures being, or to be, followed will be substantially consistent is determined by us on a case-by-case basis.

[Date]

Dear ABC Accountants:

[Name of requesting party], as principal or agent, in the placement of [identify securities] to be issued by [name of issuer **of the securities**], will be reviewing certain information relating to [issuer **of the securities**] that will be included (incorporated by reference) in the document [if appropriate, identify the document], which may be delivered to investors and utilized by them as a basis for their investment decision. This review process, applied to the information relating to the issuer **of the securities**, is (will be) substantially consistent with the due diligence review process that an underwriter would perform if this placement [issuance] of securities were being registered pursuant to the Securities Act of 1933 (the Act). We are knowledgeable with respect to the due diligence review process that would be performed if this placement of securities were being registered pursuant to the Act. We hereby request that you deliver to us a “comfort” letter concerning the financial statements of the issuer **of the securities** and certain statistical and other data included in the offering document. We will contact you to identify the procedures we wish you to follow and the form we wish the comfort letter to take.

Very truly yours,

[Name of Requesting Party]

Exhibit B—Examples of Comfort Letters**.A93**

Example A—Typical Comfort Letters **.A93-3–.A93-4**

Example A-1—Typical Comfort Letter for a
1933 Act Offering **.A93-3**

Example A-2—Typical Comfort Letter for a Non-1933
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Example B—Letter When a Short-Form Registration
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Example C—Letter Reaffirming Comments
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Example D—Comments on Pro Forma Financial
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***Example D-1—Negative Assurance on Pro Forma
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Applicable Accounting Requirements of Rule 11-02
of Regulation S-X*** **.A93-7**

***Example D-2—Negative Assurance on Pro Forma
Financial Information as to Compliance With
Pro Forma Bases as Described in the Pro Forma
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Example E—Comments on a Financial Forecast **.A93-8**.A93-9

Example F—Comments on Tables, Statistics, and
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of Procedures and Findings **.A93-9**.A93-10

Example G—Comments on Tables, Statistics, and
Other Financial Information—Summarized
Description of Procedures and Findings Regarding
Tables, Statistics, and Other Financial Information **.A93-10**.A93-11

Example H—Comments on Tables, Statistics, and
Other Financial Information: Descriptions of
Procedures and Findings Regarding Tables, Statistics,

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and Other Financial Information—Attached Securities Offering (or Selected Pages) Identifies Items to Which Procedures Were Applied Through the Use of Designated Symbols .A93-11.A93-12

Example I—Alternate Wording When Auditor’s Report on Audited Financial Statements Contains an Emphasis-of-Matter Paragraph A.93-12.A93-13

Example J—Alternate Wording When ~~More Than One Auditor Is~~ **Component Auditors Are** Involved .A93-13.A93-14

Example K—Alternate Wording When the SEC Has Agreed to a Departure From Its Accounting Requirements .A93-14.A93-15

Example L—Alternate Wording When Recent Earnings Data Are Presented in Capsule Form .A93-15.A93-16

Example M—Alternate Wording When Auditors Are Aware of a Decrease in a Specified Financial Statement Item .A93-16.A93-17

Example N—Alternate Wording of the Letter for Companies That Are Permitted to Present Interim Earnings Data for a 12-Month Period .A93-17.A93-18

Example O—Alternate Wording When the Procedures That the Requesting Party Has Requested the Auditor to Perform on Interim Financial Information Are Less Than a Review in Accordance With Generally Accepted Auditing Standards Applicable to Reviews of Interim Financial Information .A93-18.A93-19

Example P—Intentionally Omitted (See example A-2)

Example Q—Letter to a Requesting Party That Has Not Provided the Legal Opinion or the Representation Letter Required by Paragraph .11 .A93-19.A93-20

Example R—Alternate Wording When Reference to Examination of Annual Management’s Discussion and Analysis and Review of Interim Management’s Discussion and Analysis Is Made .A93-20.A93-21

Introduction

.A93-1 The contents of comfort letters vary depending on the extent of the information in the securities offering and the wishes of the requesting party. Shelf registration statements may have several closing dates and different underwriters. Descriptions of procedures and findings regarding interim financial ~~statements~~ **information**, tables, statistics, or other financial information that is incorporated by reference from previous Securities Exchange Act of 1934 filings may have to be repeated in several comfort letters. To avoid restating these descriptions in each comfort letter, the auditor may initially issue the comments in a format (such as an appendix) that can be referred to in, and attached to, subsequently issued comfort letters.

.A93-2 A typical comfort letter includes

- a. a statement regarding the independence of the auditor. (Ref: par. ~~.15.35~~)
- b. if applicable, an opinion regarding whether the audited financial statements included (incorporated by reference) in the securities offering comply as to form in all material respects with the applicable accounting requirements of the Securities Act of 1933 (the 1933 Act) and related rules and regulations adopted by the Securities and Exchange Commission (SEC). (Ref: par. ~~.16.36-.40~~)
- c. negative assurance on whether
 - i. if applicable, the unaudited interim financial information included (incorporated by reference) in the ~~registration statement~~ **securities offering** (Ref: par. ~~.25.45-.26.48~~) complies as to form in all material respects with the applicable accounting requirements of the 1933 Act and the related rules and regulations adopted by the SEC.
 - ii. any material modifications should be made to the unaudited **interim** financial information included (incorporated by reference) in the securities offering for them to be in conformity with the applicable financial reporting framework.
- d. negative assurance on whether, during a specified period following the date of the latest financial statements in the securities offering ~~and prospectus~~, there has been any

change in capital stock, increase in long-term debt, or any decrease in other specified financial statement items. (Ref: par. .3858-4464)

Example A-1 contains a typical comfort letter for a 1933 Act offering and example A-2 contains a typical comfort letter for a non-1933 Act offering. Letters that cover some of the items may be developed by omitting inapplicable portions of these examples. Examples B, D-O, and R contain additional or alternate wording for examples A-1 or A-2, as applicable, for various scenarios.

Although the illustrations in this exhibit describe procedures that may be followed by auditors as a basis for their comments, this section does not necessarily prescribe such procedures.

Example A—Typical Comfort Letters

Example A-1—Typical Comfort Letter for a 1933 Act Offering

.A93-3 Example A-1 is an example of a letter that the auditor of a nonissuer may provide when a registrant is including the nonissuer's financial statements in the securities offering to be filed with the SEC. Appropriate modifications would be made if additional financial information is covered by the comfort letter. Example A-1 assumes the following circumstances:

- The prospectus includes audited consolidated balance sheets as of December 31, 20X5 and 20X4, and audited consolidated statements of income, stockholders' equity, and cash flows for each year in the three-year period ended December 31, 20X5. Note that the example assumes all the net income is attributable to the company. If that were not the case, the references to net income would be modified, or additional references would be included as appropriate.
- The prospectus also includes an unaudited condensed consolidated balance sheet as of March 31, 20X6, and unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 20X6 and 20X5, reviewed in accordance with generally accepted auditing standards applicable to reviews of interim financial information; however, not previously reported on by the auditor. *the*

review report is not included in the securities offering. The example also assumes *If the review report is included in the securities offering, the auditor may state* that the auditor has not previously reported *issued a review report* on the interim financial information. ~~If the auditor has previously reported on the interim financial information, that fact may be referred to in the introductory paragraph of the comfort letter, as follows:~~

Also, we have reviewed the unaudited condensed consolidated financial statements as of March 31, ~~20X6 and 20X5~~, **20X6**, and for the three-month periods ~~then ended~~ **March 31, 20X6 and 20X5**, as indicated in our report dated May 15, 20X6, which is included (incorporated by reference) in the registration statement.

- The cut-off date is June 23, 20X6, and the letter is dated June 28, 20X6. The effective date is June 28, 20X6.
- The auditors are reporting independence under the SEC rules and regulations. If the auditors were not required to be independent under the SEC rules and regulations in conjunction with an SEC filing, paragraph 1 in example A-1 would be replaced with paragraph 1 in example A-2.

The auditor may agree to comment in the comfort letter on whether the interim financial information complies as to form in all material respects with the applicable accounting requirements of the rules and regulations adopted by the SEC.

The example also assumes that there has been no change in the application of a requirement of generally accepted accounting principles during the interim period. If there has been such a change, a reference to that change would be included in paragraph 5 of example A-1.

Each of the comments in the letter is in response to a requirement of the underwriting agreement. For purposes of example A-1, the income statement items of the current interim period are to be compared with those of the corresponding period of the preceding year.

June 28, 20X6

[Addressee]

Dear Ladies and Gentlemen:

We have audited the consolidated financial statements of The Nonissuer Company, Inc. (the company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X5 and 20X4, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 20X5, and the related notes to the consolidated financial statements, all included in The Issuer Company's (the registrant) registration statement (no. 33-00000) on Form S-1 filed by the registrant under the Securities Act of 1933 (the Act); our report with respect thereto is also included in that registration statement. The registration statement, as amended on June 28, 20X6, is herein referred to as the registration statement.

In connection with the registration statement—

1. We are independent certified public accountants with respect to the company within the meaning of the 1933 Act and the applicable rules and regulations thereunder adopted by the SEC.
2. In our opinion [*include the phrase* except as disclosed in the registration statement *if applicable*], the consolidated financial statements audited by us and included in the registration statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.
3. We have not audited any financial statements of the company as of any date or for any period subsequent to December 31, 20X5; although, we have conducted an audit for the year ended December 31, 20X5, the purpose (and, therefore, the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of December 31, 20X5, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month

periods ended March 31, 20X6 and 20X5, included in the registration statement, or on the financial position, results of operations, or cash flows as of any date or for any period subsequent to December 31, 20X5.

4. For purposes of this letter we have read the 20X6 minutes of meetings of the stockholders, the board of directors, and [*include other appropriate committees, if any*] of the company and its subsidiaries as set forth in the minute books at June 23, 20X6, officials of the company having advised us that the minutes of all such meetings through that date were set forth therein and having discussed with us the unapproved minutes of meetings held on [*dates*]; we have carried out other procedures to June 23, 20X6, as follows (our work did not extend to the period from June 24, 20X6 to June 28, 20X6, inclusive):
 - a. With respect to the three-month periods ended March 31, 20X6 and 20X5, we have—
 - (i) Performed the procedures specified for a review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information, on the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 20X6 and 20X5, included in the registration statement.
 - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited condensed consolidated financial statements referred to in a(i) comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.
 - b. With respect to the period from April 1, 20X6 to May 31, 20X6, we have—
 - (i) Read the unaudited consolidated financial ~~statements~~**information** of the company and subsidiaries for April and May of both 20X5 and 20X6 furnished us by the company, officials of the company having advised us that no ~~such~~ financial statements as of any date or for any period

subsequent to May 31, 20X6, were available. [*If applicable:* The financial information for April and May of both 20X5 and 20X6 is incomplete in that it omits the statements of cash flows and other disclosures.]

- (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited consolidated financial statements ~~information~~ referred to in *b*(i) ~~are~~ **is** stated on a basis substantially consistent with that of the audited consolidated financial statements included in the registration statement.

The foregoing procedures do not constitute an audit conducted in accordance with generally accepted auditing standards. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

- 5. Nothing came to our attention as a result of the foregoing procedures, however, that caused us to believe that—
 - a.
 - (i) Any material modifications should be made to the unaudited condensed consolidated financial statements described in *4a*(i), included in the registration statement, for them to be in conformity with generally accepted accounting principles.^{fn 1}
 - (ii) The unaudited condensed consolidated financial statements described in *4a*(i) do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.
 - b.
 - (i) At May 31, 20X6, there was any change in the capital stock, increase in long-term debt, or

^{fn 1} Section 930, *Interim Financial Information*, does not require the auditor to modify the report on a review of interim financial information for a lack of consistency in the application of accounting policies provided that the interim financial information appropriately discloses such matters.

decrease in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6 unaudited condensed consolidated balance sheet included in the registration statement, or

- (ii) for the period from April 1, 20X6 to May 31, 20X6, there were any decreases, as compared to the corresponding period in the preceding year, in consolidated net sales or in income ~~before~~ **extraordinary items from continuing operations** or of net income, except in all instances for changes, increases, or decreases that the registration statement discloses have occurred or may occur.
6. As mentioned in 4*b*, company officials have advised us that no consolidated financial statements as of any date or for any period subsequent to May 31, 20X66, are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after May 31, 20X66, have, of necessity, been even more limited than those with respect to the periods referred to in 4. We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (a) at June 23, 20X6, there was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown ~~on~~ **in** the March 31, 20X6 unaudited condensed consolidated balance sheet included in the registration statement, or (b) for the period from April 1, 20X6 to June 23, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales; or in income ~~before~~ **extraordinary items from continuing operations** or of net income. On the basis of these inquiries and our reading of the minutes as described in 4, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the registration statement discloses have occurred or may occur.
7. This letter is solely for the information of the addressees and to assist the underwriters in conducting and documenting their investigation of the affairs of the company

in connection with the offering of the securities covered by the registration statement, and it is not to be used, circulated, quoted, or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the registration statement or any other document, except that reference may be made to it in the underwriting agreement or in any list of closing documents pertaining to the offering of the securities covered by the registration statement.

Example A-2—Typical Comfort Letter for a Non-1933 Act Offering When the Required Representation Letter Has Been Obtained

.A93-4 Example A-2 is applicable when a comfort letter is issued in a non-1933 Act offering. Example A-2 assumes the following:

- The offerer is not an SEC registrant.
- The requesting party has given the auditor a representation letter as required by paragraph .11 and described *illustrated* in paragraph .11.A92.
- *The securities offering includes audited consolidated balance sheets as of December 31, 20X5 and 20X4, and audited consolidated statements of income, stockholders' equity, and cash flows for each year in the three-year period ended December 31, 20X5. Note that the example assumes all the net income is attributable to the company. If that were not the case, the references to net income would be modified, or additional references would be included as appropriate.*
- Interim financial information is included in the offering document, and the auditor has performed review procedures *The securities offering also includes an unaudited condensed consolidated balance sheet as of March 31, 20X6, and unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 20X6 and 20X5, reviewed* in accordance with generally accepted auditing standards applicable to reviews of interim financial information; *however, the review report is not included in the securities offering. If*

the review report is included in the securities offering, the auditor may state that the auditor has issued a review report on the interim financial information: in the introductory paragraph of the comfort letter, as follows:

Also, we have reviewed the unaudited condensed consolidated financial statements as of March 31, 20X6, and for the three-month periods ended March 31, 20X6 and 20X5, as indicated in our report dated May 15, 20X6, which is included (incorporated by reference) in the securities offering.

- The auditor did not perform an audit of the effectiveness of internal control over financial reporting in any period.
- There has not been a change in the application of a requirement of generally accepted accounting principles during the interim period. If there has been such a change, a reference to that change would be included in paragraph 4 of example A-2.
- The cut-off date is June 23, 20X6, and the letter is dated June 28, 20X6.

Each of the comments in the letter is in response to a request from the requesting party. For purposes of example A-2, the income statement items of the current interim period are to be compared with those of the corresponding period of the preceding year.

June 28, 20X6

[Addressee]

Dear Ladies and Gentlemen:

We have audited the consolidated financial statements of The Nonissuer Company, Inc. (the company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X5 and 20X4, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 20X5, and the related notes to the consolidated financial statements, all included [*or incorporated by reference*] in the offering memorandum for \$30,000,000 of Senior Debt due May 30, 20Z6. Our report with respect thereto is included in the offering memorandum. This offering memorandum, dated June 28, 20X6, is herein referred to as the Offering Memorandum.

24 Statement on Auditing Standards No. 129

This letter is being furnished in reliance upon your representation to us that—

- a. You are knowledgeable with respect to the due diligence review process that would be performed if this placement of securities were being registered pursuant to the Securities Act of 1933 (the Act).
- b. In connection with the offering of Senior Debt, the review process you have performed is substantially consistent with the due diligence review process that you would have performed if this placement of securities were being registered pursuant to the Act.

In connection with the Offering Memorandum—

1. We are independent certified public accountants with respect to the company under Rule 101 of the AICPA's Code of Professional Conduct and its interpretations and rulings.
2. We have not audited any financial statements of the company as of any date or for any period subsequent to December 31, 20X5; although, we have conducted an audit for the year ended December 31, 20X5, the purpose (and, therefore, the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of December 31, 20X5, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the unaudited condensed consolidated statements of income, of cash flows, and of changes in stockholders' equity for the three-month periods ended March 31, 20X5 and 20X6, included in the Offering Memorandum, or on the financial position, results of operations, or cash flows as of any date or for any period subsequent to December 31, 20X5.
3. For purposes of this letter, we have read the 20X6 minutes of meetings of the stockholders, the board of directors, and [*include other appropriate committees, if any*] of the company and its subsidiaries as set forth in the minute books at June 23, 20X6, officials of the company having advised us that the minutes of all such meetings through that date were set forth therein and having discussed with us the unapproved minutes of meetings held on [*dates*];

we have carried out other procedures to June 23, 20X6, as follows (our work did not extend to the period from June 24, 20X6 to June 28, 20X6, inclusive):

- a. With respect to the three-month periods ended March 31, 20X6 and 20X5, we have—
 - (i) Performed the procedures specified for a review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information, on the unaudited condensed consolidated balance sheet as of March 31, 20X6, and unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 20X6 and 20X5, included in the Offering Memorandum.
- b. With respect to the period from April 1, 20X6 to May 31, 20X6, we have—
 - (i) Read the unaudited consolidated financial ~~statements~~**information** of the company and subsidiaries for April and May of both 20X5 and 20X6 furnished us by the company, officials of the company having advised us that no such financial statements as of any date or for any period subsequent to May 31, 20X6, were available. [*If applicable:* The financial information for April and May of both 20X5 and 20X6 is incomplete in that it omits the statement of cash flows and other disclosures.]
 - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited consolidated financial ~~statements~~**information** referred to in *b*(i) ~~are~~**is** stated on a basis substantially consistent with that of the audited consolidated financial statements included in the Offering Memorandum.

The foregoing procedures do not constitute an audit conducted in accordance with generally accepted auditing standards. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

4. Nothing came to our attention as a result of the foregoing procedures, however, that caused us to believe that—
 - a.
 - (i) Any material modifications should be made to the unaudited condensed consolidated financial statements described in 3a(i), included in the Offering Memorandum, for them to be in conformity with generally accepted accounting principles.^{fn 2}
 - b.
 - (i) At May 31, 20X6, there was any change in the capital stock, increase in long-term debt, or decrease in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6 unaudited condensed consolidated balance sheet included in the Offering Memorandum, or
 - (ii) for the period from April 1, 20X6 to May 31, 20X6, there were any decreases, as compared to the corresponding period in the preceding year, in consolidated net sales; or in income ~~before extraordinary items~~ **from continuing operations** or of net income, except in all instances for changes, increases, or decreases that the Offering Memorandum discloses have occurred or may occur.
5. As mentioned in 3b, company officials have advised us that no consolidated financial statements as of any date or for any period subsequent to May 31, 20X6 are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after May 31, 20X6, have, of necessity, been even more limited than those with respect to the periods referred to in 3. We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (a) at June 23, 20X6, there was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity

^{fn 2} Section 930 does not require the auditor to modify the report on a review of interim financial information for a lack of consistency in the application of accounting policies provided that the interim financial information appropriately discloses such matters.

of the consolidated companies as compared with amounts shown ~~on~~*in* the March 31, 20X6 unaudited condensed consolidated balance sheet included in the Offering Memorandum, or (b) for the period from April 1, 20X6 to June 23, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in income ~~before extraordinary items~~*from continuing operations* or of net income. On the basis of these inquiries and our reading of the minutes as described in 3, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the Offering Memorandum discloses have occurred or may occur.

6. This letter is solely for the information of the addressees and to assist the requesting party in conducting and documenting their investigation of the affairs of the company in connection with the offering of the securities covered by the Offering Memorandum, and it is not to be used, circulated, quoted, or otherwise referred to for any purpose, including but not limited to the ~~registration~~, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the Offering Memorandum or any other document, except that reference may be made to it in the Purchase Contract or in any list of closing documents pertaining to the offering of the securities covered by the Offering Memorandum.

Example B—Letter When a Short-Form Registration Statement Is Filed Incorporating Previously Filed Form 8-K by Reference

[No amendments to Example B.]

Example C—Letter Reaffirming Comments in ~~Example A-1~~ as of a Later Date

.A93-6 If more than one comfort letter is requested, the later *subsequent* letter may, in appropriate situations, refer to information appearing in the earlier letter without repeating such information (see paragraph .25 of this section and paragraph .A93-1 of this exhibit). Example C reaffirms and updates the information in example A-1. ***In a non-1933 Act offering, the last paragraph in example C would be replaced with the last paragraph in example A-2.***

July 25, 20X6

[Addressee]

Dear Ladies and Gentlemen:

We refer to our letter of June 28, 20X6, relating to the registration statement (no. 33-00000) of The Nonissuer Company, Inc. (the company). We reaffirm as of the date hereof (and as though made on the date hereof) all statements made in that letter except that, for the purposes of this letter

...

- d.* The period covered in paragraph 4*b* of that letter is changed to the period from April 1, 20X6 to June 30, 20X6, officials of the company having advised us that no ~~such~~ financial statements as of any date or for any period subsequent to June 30, 20X6, were available.

[No further amendments to Example C.]

Example D—Comments on Pro Forma Financial Information

Example D-1—Negative Assurance on Pro Forma Financial Information as to Compliance With The Applicable Accounting Requirements of Rule 11-02 of Regulation S-X

.A93-7 Example D-1 is applicable when the auditor is asked to provide negative assurance on (a) whether the pro forma financial information included in a ~~registration statement~~ **securities offering** complies as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X, and (b) the application of pro forma adjustments to historical amounts in the compilation of the pro forma financial information (see paragraphs .52–.53). The material in this example is intended to be inserted between paragraphs 6 and 7 in example A-1 **or between paragraphs 5 and 6 in example A-2**. The example assumes that the auditor has not previously reported on the pro forma financial information. If the auditor did previously report on the pro forma financial information, ~~they~~ **the auditor** may refer in the introductory paragraph of the comfort letter to the fact that ~~they have~~ **the auditor has** issued a report, and the report may be attached to the comfort letter (see ~~paragraph~~ **paragraphs .A312–.A323**). ~~Therefore,~~ **In** that circumstance, the procedures in ~~76b(i) and 67c~~ ordinarily

would not be performed, and **therefore** the auditor would not separately comment on the application of pro forma adjustments to historical financial information because that assurance is encompassed in the ~~auditors'~~**auditor's** report on pro forma financial information. The auditor may, however, agree to comment on compliance as to form with the applicable accounting requirements of Rule 11-02 of Regulation S-X.

67. At your request, we have—

- a. Read the unaudited pro forma condensed consolidated balance sheet as of March 31, 20X6, and the unaudited pro forma condensed consolidated statements of income for the year ended December 31, 20X5, and the three-month period ended March 31, 20X6, included in the *[registration statement or Offering Memorandum, as applicable]*.
- b. Inquired of certain officials of the company who have responsibility for financial and accounting matters about
 - (i) the basis for their determination of the pro forma adjustments and
 - (ii) whether the unaudited pro forma condensed consolidated financial statements referred to in 67a comply as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X.
- c. Proved the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the unaudited pro forma condensed consolidated financial statements.

The foregoing procedures are substantially less in scope than an examination **or review**, the objective of which is the expression of an opinion **or conclusion** on management's assumptions, the pro forma adjustments, and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion **or conclusion**. The foregoing procedures would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we

make no representation about the sufficiency of such procedures for your purposes.

78. Nothing came to our attention as a result of the procedures specified in paragraph 67, however, that caused us to believe that the unaudited pro forma condensed consolidated financial statements referred to in 6a included in the *[registration statement or Offering Memorandum, as applicable]* do not comply as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X and that the *pro forma adjustments* have not been properly compiled on the pro forma bases described in the notes thereto *applied to the historical amounts in the compilation of the unaudited pro forma condensed consolidated financial statements*. Had we performed additional procedures or had we made an examination *or review* of the pro forma condensed consolidated financial statements, other matters might have come to our attention that would have been reported to you.

Example D-2—Negative Assurance on Pro Forma Financial Information as to Compliance With Pro Forma Bases as Described in the Pro Forma Financial Information

.A93-8 Example D-2 is applicable when the auditor is asked to provide negative assurance on (a) whether the pro forma financial information included in a securities offering complies as to form in all material respects with the pro forma bases described in the pro forma financial statements, and (b) the application of pro forma adjustments to historical amounts in the compilation of the pro forma financial information (see paragraphs .52–.53). The material in this example is intended to be inserted between paragraphs 5 and 6 in example A-2.

The example assumes that the auditor has not previously reported on the pro forma financial information. If the auditor did previously report on the pro forma financial information, the auditor may refer in the introductory paragraph of the comfort letter to the fact that the auditor has issued a report, and the report may be attached to the comfort letter (see paragraphs .A31–.A32). In that circumstance, the procedures in

6b(i) and 6c ordinarily would not be performed, and therefore the auditor would not separately comment on the application of pro forma adjustments to historical financial information because that assurance is encompassed in the auditor's report on pro forma financial information. The auditor may, however, agree to comment on compliance as to form with the pro forma bases described in the pro forma financial statements.

6. At your request, we have—

- a. Read the unaudited pro forma condensed consolidated balance sheet as of March 31, 20X6, and the unaudited pro forma condensed consolidated statements of income for the year ended December 31, 20X5, and the three-month period ended March 31, 20X6, included in the Offering Memorandum.**
- b. Inquired of certain officials of the company who have responsibility for financial and accounting matters about**
 - (i) the basis for their determination of the pro forma adjustments, and**
 - (ii) whether the unaudited pro forma condensed consolidated financial statements referred to in 6a comply as to form in all material respects with the pro forma bases described in the pro forma condensed consolidated financial statements.**
- c. Proved the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the unaudited pro forma condensed consolidated financial statements.**

The foregoing procedures are substantially less in scope than an examination or review, the objective of which is the expression of an opinion or conclusion on management's assumptions, the pro forma adjustments, and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion or conclusion. The foregoing procedures would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no

representation about the sufficiency of such procedures for your purposes.

7. *Nothing came to our attention as a result of the procedures specified in paragraph 6, however, that caused us to believe that the unaudited pro forma condensed consolidated financial statements referred to in 6a included in the Offering Memorandum do not comply in all material respects with the pro forma bases described in the pro forma condensed consolidated financial statements and that the pro forma adjustments have not been properly applied to the historical amounts in the compilation of the unaudited pro forma condensed consolidated financial statements. Had we performed additional procedures or had we made an examination or a review of the pro forma condensed consolidated financial statements, other matters might have come to our attention that would have been reported to you.*

Example E—Comments on a Financial Forecast

.A93-89 Example E is applicable when an auditor is asked to comment on a financial forecast (see paragraph .54). The material in this example is intended to be inserted between paragraphs 6 and 7 in example A-1 ~~and~~ **or between paragraphs 5 and 6** in example A-2. The example assumes that the auditor has previously reported on the compilation of the financial forecast and that the report is attached to the letter (see ~~paragraph .A33~~ **paragraphs .A31–.A32** and example Θ).

[No further amendments to Example E.]

Example F—Comments on Tables, Statistics, and Other Financial Information—Complete Description of Procedures and Findings

.A93-910 Example F is applicable when the auditor is asked to comment on tables, statistics, or other compilations of information appearing in a registration statement **securities offering** (paragraphs .65–.71). Each of the comments is in response to a specific request. The paragraphs in example F are intended to follow paragraph 6 in example A-1 or paragraph 5 in example A-2. **In a non-1933 Act**

securities offering, paragraph 89c(iii) generally would not be included.

In some cases, the auditor may choose to combine in one paragraph the substance of paragraphs 67 and 89 shown as follows. This may be done by expanding the identification of items in paragraph 89 to provide the identification information included in paragraph 67. In such cases, the introductory sentences in paragraphs 67 and 89 and the text of paragraph 78 might be combined as follows: “For purposes of this letter, we have also read the following information and have performed the additional procedures stated below with respect to such information. Our audit of the consolidated financial statements. . .”

67. For purposes of this letter, we have also read the following, set forth in the **securities offering/[registration statement or Offering Memorandum, as applicable]** on the indicated pages.

<i>Item</i>	<i>Page</i>	<i>Description</i>
<i>a</i>	4	“Capitalization.” The amounts under the captions “Amount Outstanding as of May 31, 20X6” and “As Adjusted.” The related notes, except the following in Note 2: “See Transactions With Interested Persons.” From the proceeds of this offering the company intends to prepay \$900,000 on these notes, pro rata. See “Use of Proceeds.”
<i>b</i>	13	“History and Business—Sales and Marketing.” The table following the first paragraph.
<i>c</i>	33	“Selected Financial Data.”

78. Our audit of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.
89. However, for purposes of this letter, we have performed the following additional procedures, which were applied

as indicated with respect to the items enumerated above.

<i>Item in 67</i>	<i>Procedures and Findings</i>
<i>a</i>	<p>We compared the amounts and numbers of shares listed under the caption, “Amount Outstanding as of May 31, 20X6,” with the balances in the appropriate accounts in the company’s general ledger and found them to be in agreement. We compared the amounts and numbers of shares listed under the caption, “Amount Outstanding as of May 31, 20X6,” adjusted for the issuance of the debentures to be offered by means of the securities offering and for the proposed use of a portion of the proceeds thereof to prepay portions of certain notes, as described under “Use of Proceeds,” with the amounts and numbers of shares shown under the caption, “As Adjusted,” and found such amounts and numbers of shares to be in agreement. (However, we make no comments regarding the reasonableness of the “Use of Proceeds” or whether such use will actually take place.)</p>
<i>b</i>	<p>We compared the amounts of military sales, commercial sales, and total sales shown in the securities offering with the balances in the appropriate accounts in the company’s accounting records for the respective fiscal years and for the unaudited interim periods and found them to be in agreement. We proved the arithmetic accuracy of the percentages of such amounts of military sales and commercial sales to total sales for the respective fiscal years and for the unaudited interim periods. We compared such computed percentages with the corresponding percentages appearing in the <i>[registration statement or Offering Memorandum, as applicable]</i> and found them to be in agreement.</p>

- c
- i. We compared the amounts of net sales and income from continuing operations for the years ended December 31, 20X5, 20X4, and 20X3, with the respective amounts in the consolidated financial statements on pages 27 and 28 and the amounts for the years ended December 31, 20X2 and 20X1, with the respective amounts in the consolidated financial statements for 20X2 and 20X1 and found them to be in agreement.
 - ii. We compared the amounts of total assets, long-term obligations, and redeemable preferred stock at December 31, 20X5 and 20X4, with the respective amounts in the consolidated financial statements on pages 27 and 28 and the amounts at December 31, 20X3, 20X2, and 20X1, with the corresponding amounts in the consolidated financial statements for 20X3, 20X2, and 20X1 and found them to be in agreement.
 - iii. We compared the information included under the heading “Selected Financial Data” with the disclosure requirements of Item 301 of Regulation S-K. We also inquired of certain officials of the company who have responsibility for financial and accounting matters whether this information conforms in all material respects with the disclosure requirements of Item 301 of Regulation S-K. Nothing came to our attention as a result of the foregoing procedures that caused us to believe that this information does not conform in all material respects with the disclosure requirements of Item 301 of Regulation S-K.

910. It should be understood that we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraph; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above. Further, we have addressed ourselves solely to the foregoing data as set forth in the *[registration statement or Offering Memorandum, as applicable]* and

make no representations regarding the adequacy of disclosure or regarding whether any material facts have been omitted.

Example G—Comments on Tables, Statistics, and Other Financial Information—Summarized Description of Procedures and Findings Regarding Tables, Statistics, and Other Financial Information

.A9393-1011 Example G illustrates, in paragraph 8a, a method of summarizing the descriptions of procedures and findings regarding tables, statistics, and other financial information in order to avoid repetition in the comfort letter. Each of the comments is in response to a specific request. The paragraphs in example G are intended to follow paragraph 6 in example A-1 or paragraph 5 in example A-2. **In a non-1933 Act securities offering, paragraph 89a(ii)b generally would not be included.**

Other methods of summarizing the descriptions may also be appropriately used. For example, the letter may present a matrix listing the financial information and common procedures employed and indicating the procedures applied to specific items.

67. For purposes of this letter, we have also read the following, set forth in the [registration statement **or Offering Memorandum**, *as applicable*] on the indicated pages.

<i>Item</i>	<i>Page</i>	<i>Description</i>
<i>a</i>	4	“Capitalization.” The amounts under the captions “Amount Outstanding as of May 31, 20X6” and “As Adjusted.” The related notes, except the following in Note 2: “See Transactions With Interested Persons.” From the proceeds of this offering the company intends to prepay \$900,000 on these notes, pro rata. See “Use of Proceeds.”
<i>b</i>	13	“History and Business—Sales and Marketing.” The table following the first paragraph.
<i>c</i>	33	“Selected Financial Data.”

78. Our audit of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements as a whole. For none of the

periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions, such as those enumerated above, and, accordingly, we express no opinion thereon.

89. However, for purposes of this letter and with respect to the items enumerated in 67 above—

a.

- i. Except for item 67*a*, we have (i) compared the dollar amounts either with the amounts in the audited consolidated financial statements described in the introductory paragraph of this letter or, for prior years, included in the company's accounting records, or with amounts in the unaudited consolidated financial statements described in paragraph 3 to the extent such amounts are included in or can be derived from such statements and found them to be in agreement; (ii) compared the amounts of military sales, commercial sales, and total sales with amounts in the company's accounting records and found them to be in agreement; (iii) compared other dollar amounts with amounts shown in analyses prepared by the company and found them to be in agreement; and (iv) proved the arithmetic accuracy of the percentages based on the data in the above-mentioned financial statements, accounting records, and analyses.
- ii. We compared the information in item 6*c* with the disclosure requirements of Item 301 of Regulation S-K. We also inquired of certain officials of the company who have responsibility for financial and accounting matters whether this information conforms in all material respects with the disclosure requirements of Item 301 of Regulation S-K. Nothing came to our attention as a result of the foregoing procedures that caused us to believe that this information does not conform in all material respects with the disclosure requirements of Item 301 of Regulation S-K.

b. With respect to item 67a, we compared the amounts and numbers of shares listed under the caption “Amount Outstanding as of May 31, 20X6” with the balances in the appropriate accounts in the company’s general ledger at May 31, 20X6, and found them to be in agreement. We compared the amounts and numbers of shares listed under the caption “Amount Outstanding as of May 31, 20X6,” adjusted for the issuance of the debentures to be offered by means of the securities offering and for the proposed use of a portion of the proceeds thereof to prepay portions of certain notes, as described under “Use of Proceeds,” with the amounts and numbers of shares shown under the caption; “As Adjusted” and found such amounts and numbers of shares to be in agreement. (However, we make no comments regarding the reasonableness of “Use of Proceeds” or whether such use will actually take place.)

910. It should be understood that we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraph; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above. Further, we have addressed ourselves solely to the foregoing data as set forth in the *[registration statement or Offering Memorandum, as applicable]* and make no representations regarding the adequacy of disclosure or regarding whether any material facts have been omitted.

Example H—Comments on Tables, Statistics, and Other Financial Information: Descriptions of Procedures and Findings Regarding Tables, Statistics, and Other Financial Information—Attached Securities Offering (or Selected Pages) Identifies Items to Which Procedures Were Applied Through the Use of Designated Symbols

.A93-1112 This example illustrates an alternate format, which could facilitate reporting when the auditor is requested to perform procedures on numerous statistics included in a securities offering. Each of the comments is in response to a specific request. The

paragraph in example H is intended to follow paragraph 6 in example A-1 or paragraph 5 in example A-2.

7. For purposes of this letter, we have also read the items identified by you on the attached copy of the *[registration statement or Offering Memorandum, as applicable]* and have performed the following procedures, which were applied as indicated with respect to the symbols explained below:
 - ✓ Compared the amount with ~~ABC~~ **The Nonissuer Company, Inc.**'s financial statements for the period indicated included in the securities offering and found them to be in agreement.
8. Our audit of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements as a whole. For none of the periods referred to therein, nor any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions, such as those enumerated above, and, accordingly, we express no opinion thereon.
9. It should be understood that we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraph; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above. Further, we have addressed ourselves solely to the foregoing data as set forth in the *[registration statement or Offering Memorandum, as applicable]* and make no representations regarding the adequacy of disclosure or regarding whether any material facts have been omitted.

[The following is an extract from a securities offering that illustrates how an auditor can document procedures performed on numerous statistics included in the securities offering.]

Summary Financial Information of ~~ABC~~ *The Nonissuer Company, Inc.* (In thousands)

<i>Income statement data</i>	<i>ABC—The Nonissuer Company, Inc. Year Ended December 31,</i>		
	<i>20X3</i>	<i>20X4</i>	<i>20X5</i>
Revenue from home sales	\$104,110✓	\$115,837✓	\$131,032✓
Gross profit from sales	23,774✓	17,099✓	22,407✓
Income from home building net of tax	7,029✓	1,000✓	3,425✓

Example I—Alternate Wording When Auditor’s Report on Audited Financial Statements Contains an Emphasis-of-Matter Paragraph

.A93-1293-13 Example I is applicable when the auditor’s report on the audited financial statements included in the securities offering contains an emphasis-of-matter paragraph regarding a matter that would also affect the unaudited condensed consolidated interim financial statements *information* included in the securities offering. The introductory paragraph would be revised as follows:

Our reports ~~report~~ with respect thereto (which ~~contain~~ *contains* an emphasis-of-matter paragraph that describes a lawsuit to which the ~~€~~ company is a defendant, discussed in note 8 to the consolidated financial statements), ~~are~~ *is* also included in the securities offering ~~[registration statement or Offering Memorandum, as applicable]~~.

The matter described in the emphasis-of-matter paragraph would also be evaluated to determine whether it also requires mention in the comments on the unaudited condensed consolidated interim financial information (paragraph 5*b* of example A-1 *and paragraph 4b of example A-2*). If it is concluded that mention of such a matter in the comments on unaudited condensed consolidated financial statements *information* is appropriate, a sentence would be added at the end of paragraph 5*b* in example A-1 and paragraph 4*b* of example A-2 *as follows*:

Reference should be made to the introductory paragraph of this letter, which states that our audit report covering the consolidated financial statements as of and for the year ended December 31, 20X5, includes an emphasis-of-matter paragraph that describes a

lawsuit to which the company is a defendant, discussed in note 8 to the consolidated financial statements.

Example J—Alternate Wording When More Than One Auditor Is Component Auditors Are Involved

.A93-1314 Example J applies when ~~more than one auditor is one or more component auditors are~~ involved in the audit of the ~~group~~ financial statements of a business, and the group engagement team has obtained a copy of the comfort letter of the component auditors (see paragraph .21). Example J consists of an addition to paragraph 4, a substitution for the applicable part of paragraph 5, and an addition to paragraph 6 of example A-1 and ~~paragraph~~ **corresponding changes to paragraphs** 3, 4, and 5 of example A-2, respectively.

- [4]c. We have read the letter dated _____ of [*the other auditors*] with regard to [*the related company*].
5. Nothing came to our attention as a result of the foregoing procedures (which, so far as [*the related company*] is concerned, consisted solely of reading the letter referred to in 4c), however, that caused us to believe that...
6. ...On the basis of these inquiries and our reading of the minutes and the letter dated _____ of [*the other auditors*] with regard to [*the related company*], as described in 4, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the [*registration statement or Offering Memorandum, as applicable*] discloses have occurred or may occur.

Example K—Alternate Wording When the SEC Has Agreed to a Departure From Its Accounting Requirements

.A93-1415 Example K is applicable when (a) there is a departure from the applicable accounting requirements of the 1933 Act and the related rules and regulations adopted by the SEC, and (b) representatives of the SEC have agreed to the departure. Paragraph 2 of example A-1 would be revised to read as follows:

2. In our opinion [*include the phrase* except as disclosed in the registration statement *if applicable*], the consolidated financial statements and financial statement schedules

audited by us and included (incorporated by reference) in the registration statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC; however, as agreed to by representatives of the SEC, **statements of assets acquired and liabilities assumed and statements of revenues and direct operating expenses of The Nonissuer Company, Inc. have been presented in lieu of** separate financial statements and financial statement schedules of ABC Company (an equity investee) as required by Rule 3-0905 of Regulation S-X have been omitted.

Example L—Alternate Wording When Recent Earnings Data Are Presented in Capsule Form

.A93-1516 Example L is applicable when (a) the statement of income in the securities offering is supplemented by later information regarding sales and earnings (capsule financial information), (b) the auditor is asked to comment on that information (paragraphs .50.49-.51), and (c) the auditor has conducted a review in accordance with generally accepted auditing standards applicable to reviews of interim financial information of the financial statements from which the capsule financial information is derived. The same facts exist as in example A-1, **or for a non-1933 Act filing as in example A-2**, except for the following:

- Sales and net income (no extraordinary items) share for the six-month periods ended June 30, 20X6 and 20X5 (both unaudited), are included in capsule form more limited than that specified by Financial Accounting Standards Board *Accounting Standards Codification* 270, *Interim Reporting*.
- No financial statements later than those for June 20X6 are available.
- The letter is dated July 25, 20X6, and the cut-off date is July 20, 20X6.

Paragraphs 4, 5, and 6 of example A-1, **or paragraphs 3, 4 and 5 of example A-2**, would be revised to read as follows; **in a non-1933**

Act securities offering, paragraphs 4a(ii) and 5a(ii) generally would not be included:

4. For purposes of this letter, we have read the 20X6 minutes of the meetings of the stockholders, the board of directors, and [*include other appropriate committees, if any*] of the company and its subsidiaries as set forth in the minute books at July 20, 20X6, officials of the company having advised us that the minutes of all such meetings through that date were set forth therein and discussed with us the unapproved minutes of meetings held on [*dates*]; we have carried out other procedures to July 20, 20X6, as follows (our work did not extend to the period from July 21, 20X6 to July 25, 20X6, inclusive):
 - a. With respect to the three-month periods ended March 31, 20X6 and 20X5, we have—
 - (i) Performed the procedures specified for a review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information, on the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 20X6 and 20X5, included in the [*registration statement or Offering Memorandum, as applicable*].
 - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited condensed consolidated financial statements referred to in a(i) comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.
 - b. With respect to the six-month periods ended June 30, 20X6 and 20X5, we have—
 - (i) Read the unaudited amounts for sales; **and** net income; ~~and earnings per share~~ for the six-month periods ended June 30, 20X6 and 20X5, as set forth in paragraph [*identify location*].

- (ii) Performed the procedures specified for a review in accordance with auditing standards generally accepted in the United States of America; applicable to reviews of interim financial information, on the unaudited condensed consolidated balance sheet as of June 30, 20X66, and the unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the six-month periods ended June 30, 20X6 and 20X5, from which the unaudited amounts referred to in *b(i)* are derived.
- (iii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited amounts referred to in *b(i)* are stated on a basis substantially consistent with that of the corresponding amounts in the audited consolidated statements of income.

The foregoing procedures do not constitute an audit conducted in accordance with generally accepted auditing standards. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

5. Nothing came to our attention as a result of the foregoing procedures, however, that caused us to believe that—
 - a.
 - (i) Any material modifications should be made to the unaudited condensed consolidated financial statements described in *4a(i)*, included in the [*registration statement or Offering Memorandum, as applicable*], for them to be in conformity with generally accepted accounting principles.
 - (ii) The unaudited condensed consolidated financial statements described in *4a(i)* do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.

- b.
- (i) The unaudited amounts for sales and net income for the six-month periods ended June 30, 20X6 and 20X5, referred to in 4b(i) do not agree with the amounts set forth in the unaudited condensed consolidated financial statements for those same periods.
 - (ii) The unaudited amounts referred to in 4b(i) were not determined on a basis substantially consistent with that of the corresponding amounts in the audited consolidated statements of income.
- c. At June 30, 20X6, there was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6; unaudited condensed consolidated balance sheet included in the *[registration statement or Offering Memorandum, as applicable]*, except in all instances for changes, increases, or decreases that *[registration statement or Offering Memorandum, as applicable]* discloses have occurred or may occur.
6. Company officials have advised us that no consolidated financial statements as of any date or for any period subsequent to June 30, 20X6 are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after June 30, 20X6 have, of necessity, been even more limited than those with respect to the periods referred to in 4. We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (a) at July 20, 20X6, there was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown ~~on~~*in* the March 31, 20X6; unaudited condensed consolidated balance sheet included in the *[registration statement or Offering Memorandum, as applicable]*; or (b) for the period from July 1, 20X6 to July 20, 20X6, there were any decreases, as compared with the corresponding period in

the preceding year, in consolidated net sales; or in income before extraordinary items ~~from continuing operations~~ or of net income. On the basis of these inquiries and our reading of the minutes as described in 4, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the *[registration statement or Offering Memorandum, as applicable]* discloses have occurred or may occur.

Example M—Alternate Wording When Auditors Are Aware of a Decrease in a Specified Financial Statement Item

.A93-1617 Example M covers a situation in which auditors are aware of a decrease in a financial statement item on which they are requested to comment (see paragraphs .58–.64). **Example M may be modified when auditors are aware of a change or increase.** The same facts exist as in example A-1 or example A-2, as applicable, except for the decrease covered in the following change in paragraph 5b in example A-1 or paragraph 4b in example A-2:

- b.
- (i) At May 31, 20X6, there was any change in the capital stock, increase in long-term debt, or any decrease in consolidated stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6 unaudited condensed consolidated balance sheet included in the *[registration statement or Offering Memorandum, as applicable]*, or
 - (ii) for the period from April 1, 20X6 to May 31, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales; or income before extraordinary items ~~from continuing operations~~ or of net income, except in all instances for changes, increases, or decreases that the *[registration statement or Offering Memorandum, as applicable]* discloses have occurred or may occur and except that the unaudited consolidated balance sheet as of May 31, 20X6, which we were furnished by the company, showed a decrease from March 31, 20X66, in

consolidated net current assets as follows (in thousands of dollars):

	<i>Current Assets</i>	<i>Current Liabilities</i>	<i>Net Current Assets</i>
March 31, 20X6	\$4,251	\$1,356	\$2,895
May 31, 20X6	3,986	1,732	2,254

6. As mentioned in 4*b*, company officials have advised us that no consolidated financial statements as of any date or for any period subsequent to May 31, 20X6, are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after May 31, 20X6, have, of necessity, been even more limited than those with respect to the periods referred to in 4. We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (a) at June 23, 20X6, there was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown ~~on~~ⁱⁿ the March 31, 20X6; unaudited condensed consolidated balance sheet included in the [*registration statement or Offering Memorandum, as applicable*]; or (b) for the period from April 1, 20X6 to June 23, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in income ~~before extraordinary items~~ **from continuing operations** or of net income. On the basis of these inquiries and our reading of the minutes as described in 4, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the [*registration statement or Offering Memorandum, as applicable*] discloses have occurred or may occur and except as described in the following sentence: We have been informed by officials of the company that there continues to be a decrease in net current assets that is estimated to be approximately the same amount as set forth in 5*b* [*or whatever other disclosure fits the circumstances*].

Example N—Alternate Wording of the Letter for Companies That Are Permitted to Present Interim Earnings Data for a 12-Month Period

.A9393-1718 Certain types of companies are permitted to include earnings data for a 12-month period to the date of the latest balance sheet furnished in lieu of earnings data for both the interim period between the end of the latest fiscal year and the date of the latest balance sheet and the corresponding period of the preceding fiscal year. The following would be substituted for the applicable part of paragraph 3 of example A-1.:

3. ...was to enable us to express our opinion on the financial statements as of December 31, 20X5, and for the year then ended, but not on the financial statements for any period included in part within that year. Therefore, we are unable to, and do not express any opinion on, the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the related unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the 12 months then ended included in the ~~securities offering~~ **registration statement**.

Example O—Alternate Wording When the Procedures That the Requesting Party Has Requested the Auditor to Perform on Interim Financial Information Are Less Than a Review in Accordance With Generally Accepted Auditing Standards Applicable to Reviews of Interim Financial Information

.A93-1819 The example assumes that the requesting party has asked the auditor to perform specified procedures on the interim financial information and report thereon in the comfort letter. The letter is dated June 28, 20X6; procedures were performed through June 23, 20X6, the cut-off date. Because a review in accordance with generally accepted auditing standards applicable to reviews of interim financial information was not performed on the interim financial information as of March 31, 20X6, and for the quarter then ended, the auditor is limited to reporting procedures performed and findings obtained on the interim financial information.

The following would be substituted for ~~paragraph 4~~ **paragraphs 4–6 of example A-1 or paragraphs 3–5 of example A-2. In a non-1933 Act securities offering, the two statements in paragraph 4(a)(ii) with respect to compliance as to form, in all material**

respects, with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC, would not be included. Example O assumes there has not been a change in the application of a requirement of generally accepted accounting principles during the interim period. If there has been such a change, a reference to that change would be included in subparagraph *a(ii)* that follows:

4. For purposes of this letter, we have read the 20X6 minutes of meetings of the stockholders, the board of directors, and [*include other appropriate committees, if any*] of the company and its subsidiaries as set forth in the minute books at June 23, 20X6, officials of the company having advised us that the minutes of all such meetings through that date were set forth therein and having discussed with us the unapproved minutes of meetings held on [*dates*]; we have carried out other procedures to June 23, 20X6, as follows (our work did not extend to the period from June 24, 20X6 to June 28, 20X6, inclusive):
 - a. With respect to the three-month periods ended March 31, 20X6 and 20X5, we have—
 - (i) Read the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 20X6 and 20X5, included in the [*registration statement or Offering Memorandum, as applicable*], and agreed the amounts included therein with the company's accounting records as of March 31, 20X6 and ~~20X5~~⁶, and for the three-month periods then ended ~~March 31, 20X6 and 20X5~~.
 - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited condensed consolidated financial statements referred to in *a(i)*: (1) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the [*registration statement or Offering Memorandum, as applicable*], and (2) comply

as to form, in all material respects, with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC. Those officials stated that the unaudited condensed consolidated financial statements (1) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements, and (2) comply as to form, in all material respects, with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.

- b. *With respect to the period from April 1, 20X6 to May 31, 20X6, we have—***
- (i) *Read the unaudited consolidated financial information of the company and subsidiaries for April and May of both 20X5 and 20X6 furnished us by the company, and agreed the amounts contained therein to the company's accounting records. Officials of the company have advised us that no financial statements as of any date or for any period subsequent to May 31, 20X6, were available. [If applicable: The financial information for April and May of both 20X5 and 20X6 is incomplete in that it omits the statements of cash flows and other disclosures.]***
 - (ii) *Inquired of certain officials of the company who have responsibility for financial and accounting matters whether (1) the unaudited consolidated financial information referred to in b(i) is stated on a basis substantially consistent with that of the audited consolidated financial statements included in the [registration statement or Offering Memorandum, as applicable]; (2) at May 31, 20X6, there was any change in the capital stock, increase in long-term debt, or any decrease in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the***

March 31, 20X6 unaudited condensed consolidated balance sheet included in the [registration statement or Offering Memorandum, as applicable]; and (3) for the period from April 1, 20X6 to May 31, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in income from continuing operations or of net income.

Those officials stated that (1) the unaudited consolidated financial information referred to in 4b(i) is stated on a basis substantially consistent with that of the audited consolidated financial statements included in the [registration statement or Offering Memorandum, as applicable]; (2) at May 31, 20X6, there was no change in the capital stock, no increase in long-term debt, and no decrease in net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6 unaudited condensed consolidated balance sheet included in the [registration statement or Offering Memorandum, as applicable]; and (3) there were no decreases for the period from April 1, 20X6 to May 31, 20X6, as compared with the corresponding period in the preceding year, in consolidated net sales or in income from continuing operations or of net income.

- c. *As mentioned in 4b(i), company officials have advised us that no financial statements as of any date or for any period subsequent to May 31, 20X6, are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after May 31, 20X6, have, of necessity, been even more limited than those with respect to the periods referred to in 4a and 4b. We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (a) at June 23, 20X6, there*

was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6 unaudited condensed consolidated balance sheet included in the [registration statement or Offering Memorandum, as applicable], or (b) for the period from April 1, 20X6 to June 23, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in income from continuing operations or of net income. Those officials stated that (1) at June 23, 20X6, there was no change in the capital stock, no increase in long-term debt, and no decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6 unaudited condensed consolidated balance sheet, and (2) for the period from April 1, 20X6 to June 23, 20X6, there were no decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in income from continuing operations or of net income.

The foregoing procedures do not constitute an audit or a review conducted in accordance with generally accepted auditing standards. We make no representations regarding the sufficiency of the foregoing procedures for your purposes. Had we performed additional procedures or had we conducted an audit or a review of the company's March 31, April 30, or May 31, 20X6 and 20X5 condensed consolidated financial statements, other matters might have come to our attention that would have been reported to you.

5. *At your request, we also—*
 - a. *Read the unaudited pro forma condensed consolidated balance sheet as of March 31, 20X6, and the unaudited pro forma condensed consolidated statements of income for the year ended December 31,*

20X5, and the three-month period ended March 31, 20X6, included in the [registration statement or Offering Memorandum, as applicable].

- b.** *Inquired of certain officials of the company and of XYZ Company (the company being acquired) who have responsibility for financial and accounting matters as to whether all significant assumptions regarding the business combination had been reflected in the pro forma adjustments and whether the unaudited pro forma condensed consolidated financial statements referred to in (a) comply as to form in all material respects with the [applicable accounting requirements of Rule 11-02 of Regulation S-X or pro forma bases described in the pro forma condensed consolidated financial statements, as applicable].*

Those officials referred to above stated, in response to our inquiries, that all significant assumptions regarding the business combination had been reflected in the pro forma adjustments and that the unaudited pro forma condensed consolidated financial statements referred to in (a) comply as to form in all material respects with the [applicable accounting requirements of Rule 11-02 of Regulation S-X or pro forma bases described in the pro forma condensed consolidated financial statements, as applicable].

- c.** *Compared the historical financial information for the company included on page 20 in the [registration statement or Offering Memorandum, as applicable] with historical financial information for the company on page 12 and found them to be in agreement.*

We also compared the financial information included on page 20 of the [registration statement or Offering Memorandum, as applicable] with the historical information for XYZ Company on page 13 and found them to be in agreement.

- d.** *Proved the arithmetic accuracy of the application of the pro forma adjustments to the historical*

amounts in the unaudited pro forma condensed consolidated financial statements.

The foregoing procedures are less in scope than an examination or review, the objective of which is the expression of an opinion or conclusion on management's assumptions, the pro forma adjustments, and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion or conclusion. We make no representation about the sufficiency of the foregoing procedures for your purposes. Had we performed additional procedures or had we made an examination or review of the pro forma financial information, other matters might have come to our attention that would have been reported to you.

Example P—Intentionally Omitted (See example A-2)^{fn 3}

Example Q—Letter to a Requesting Party That Has Not Provided the Legal Opinion or the Representation Letter Required by Paragraph .11

.A93-1920 This example illustrates the letter to be provided in accordance with paragraph .11 in which the auditor does not provide negative assurance. This example assumes that these procedures are being performed at the request of the placement agent on information included in an offering ~~circular~~ **memorandum** in connection with a private placement of unsecured notes. The letter is dated June 30, 20X6; procedures were performed through June 25, 20X6, the cut-off date. The paragraphs in Example F or Example G may be used as alternatives to paragraph 2 of this example Q to document procedures and findings. The statements in paragraphs 4–8 of the example are illustrative of the statements required to be included by paragraph .12.

This example may also be used in connection with a filing under the 1933 Act when a party other than a named underwriter (for

^{fn 3} Example P, “A Typical Comfort Letter in a Non-1933 Act Offering, Including the Required Underwriter Representations,” in AU section 634, *Letters for Underwriters and Certain Other Requesting Parties*, was moved to example A-2, “Typical Comfort Letter for a Non-1933 Act Offering When the Required Representation Letter Has Been Obtained,” in this section when AU section 634 was redrafted for clarity, and is intentionally blank to retain the letters assigned to the other examples.

example, a selling shareholder) has not provided the auditor with the representation letter described in paragraph .11. In such a situation, this example may be modified to include the auditor's comments on independence and compliance as to form of the audited financial statements and financial statements schedules with the applicable accounting requirements of the 1933 Act and the related rules and regulations adopted by the SEC. Paragraph 1a(ii) may include an inquiry, and the response of company officials, on compliance as to form of the unaudited condensed interim financial statements **information**.

June 30, 20X6

[Addressee]

Dear Ladies and Gentlemen:

We have audited the consolidated financial statements of The Nonissuer Company, Inc. (the company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X5 and 20X4, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 20X5, and the related notes to the consolidated financial statements, all included in the offering ~~circular~~ **memorandum** for \$30,000,000 of notes due June 30, 20X6. Our report with respect thereto is included in the offering ~~circular~~ **memorandum**. The offering ~~circular~~ **memorandum** dated June 30, 20X6, is herein referred to as the offering ~~circular~~ **Offering Memorandum**.

We are independent certified public accountants with respect to the company under Rule 101 of the AICPA's Code of Professional Conduct and its interpretations and rulings.

We have not audited any financial statements of the company as of any date or for any period subsequent to December 31, 20X5; although, we have conducted an audit for the year ended December 31, 20X5, the purpose (and, therefore, the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of December 31, 20X5, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to, and do not express any opinion on, the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the unaudited condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 20X6 and 20X5, included in

the offering circular **Offering Memorandum**, or on the financial position, results of operations, or cash flows as of any date or for any period subsequent to December 31, 20X5.

1. At your request, we have read the 20X6 minutes of meetings of the stockholders, the board of directors, and [*include other appropriate committees, if any*] of the company as set forth in the minute books at June 25, 20X6, officials of the company having advised us that the minutes of all such meetings through that date were set forth therein and having discussed with us the unapproved minutes of meetings held on [*dates*]; we have carried out other procedures to June 25, 20X6, as follows (our work did not extend to the period from June 26, 20X6 to June 30, 20X6, inclusive):
 - a. With respect to the three-month periods ended March 31, 20X6 and 20X5, we have—
 - (i) Read the unaudited condensed consolidated balance sheet as of March 31, 20X6, and the unaudited condensed consolidated statements of income, stockholders' equity, and cash flows of the company for the three-month periods ended March 31, 20X6 and 20X5, included in the offering circular **Offering Memorandum**, and agreed the amounts included therein with the company's accounting records as of March 31, 20X6 and 20X5, and for the three-month periods then ended **March 31, 20X6 and 20X5**.
 - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited condensed consolidated financial statements referred to in a(i) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the offering circular **Offering Memorandum**. Those officials stated that the unaudited condensed consolidated financial statements are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements.

- b. With respect to the period from April 1, 20X6 to May 31, 20X6, we have—
- (i) Read the unaudited condensed consolidated financial ~~statements~~**information** of the company for April and May of both 20X5 and 20X6, furnished us by the company, and agreed the amounts included therein with the company's accounting records. Officials of the company have advised us that no financial statements as of any date or for any period subsequent to May 31, 20X6, were available. [*if applicable*: The financial information for April and May of both 20X5 and 20X6 is incomplete in that it omits the statements of cash flows and other disclosures.]
 - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether (1) the unaudited condensed consolidated financial ~~statements~~**information** referred to in b(i) ~~are~~**is** stated on a basis substantially consistent with that of the audited consolidated financial statements included in the ~~offering circular~~**Offering Memorandum**; (2) at May 31, 20X6, there was any change in the capital stock, increase in long-term debt, or any decrease in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6; unaudited condensed consolidated balance sheet included in the ~~offering circular~~**Offering Memorandum**; and (3) for the period from April 1, 20X6 to May 31, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales; or in income ~~before~~**from continuing operations** or of net income.

Those officials stated that (1) the unaudited condensed consolidated financial ~~statements~~**information** referred to in b(ii) ~~are~~**is** stated on a basis substantially consistent with that of the audited consolidated financial statements included in the ~~offering circular~~**Offering Memorandum**; (2) at May 31, 20X6, there was no change in the

capital stock, no increase in long-term debt, and no decrease in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the March 31, 20X6; unaudited condensed consolidated balance sheet included in the ~~offering circular~~ **Offering Memorandum**; and (3) there were no decreases for the period from April 1, 20X6 to May 31, 20X6, as compared with the corresponding period in the preceding year, in consolidated net sales; or in income ~~before extraordinary items~~ **from continuing operations** or of net income.

- c. As mentioned in 1b, company officials have advised us that no financial statements as of any date or for any period subsequent to May 31, 20X6, are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after May 31, 20X6, have, of necessity, been even more limited than those with respect to the periods referred to in 1a and 1b. We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (i) at June 25, 20X6, there was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown ~~on~~ **in** the March 31, 20X6; unaudited condensed consolidated balance sheet included in the ~~offering circular~~ **Offering Memorandum**, or (ii) for the period from April 1, 20X6 to June 25, 20X6, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in income ~~before extraordinary items~~ **from continuing operations** or of net income. Those officials referred to above stated that (i) at June 25, 20X6, there was no change in the capital stock, no increase in long-term debt, and no decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown ~~on~~ **in** the March 31, 20X6 unaudited condensed consolidated balance sheet, and (ii) there were no decreases for the period from April 1, 20X6 to June 25, 20X6, as compared with the correspond-

ing period in the preceding year, in consolidated net sales or in income ~~before extraordinary items~~ **from continuing operations** or of net income.

2. For purposes of this letter, we have also read the items identified by you on the attached copy of the ~~offering circular~~ **Offering Memorandum** and have performed the following procedures, which were applied as indicated with respect to the symbols explained below:
 - ☑ Compared the amount with the company's financial statements for the period indicated and found them to be in agreement.
 - ✓ Compared the amount with the company's financial statements for the period indicated included in the offering circular **Offering Memorandum** and found them to be in agreement.
 - ⓪ Compared with a schedule or report prepared by the company and found them to be in agreement.
3. Our audit of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements as a whole. For none of the periods referred to therein, nor for any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions, such as those enumerated above, and, accordingly, we express no opinion thereon.
4. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in paragraphs 1–3 above; rather, the procedures enumerated therein are those the requesting party asked us to perform. Accordingly, we make no representations regarding questions of legal interpretation^{fn 4} or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above as set forth in the ~~offering circular~~ **Offering Memorandum**. Further, we have addressed

^{fn 4} Paragraph .A6 of this section.

ourselves solely to the foregoing data and make no representations regarding the adequacy of disclosures or whether any material facts have been omitted. This letter relates only to the financial statement items specified above and does not extend to any financial statement of the company as a whole.

5. The foregoing procedures do not constitute an audit or a review conducted in accordance with generally accepted auditing standards. Had we performed additional procedures or had we conducted an audit or a review of the company's March 31, April 30, or May 31, 20X6 and 20X5 condensed consolidated financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.
6. These procedures should not be taken to supplant any additional inquiries or procedures that you would undertake in your consideration of the proposed offering.
7. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities covered by the ~~offering circular~~ **Offering Memorandum**, and it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to, in whole or in part, in the ~~offering circular~~ **Offering Memorandum** or any other document, except that reference may be made to it in any list of closing documents pertaining to the offering of the securities covered by the offering document.
8. We have no responsibility to update this letter for events and circumstances occurring after June 25, 20X6.

Example R—Alternate Wording When Reference to Examination of Annual Management's Discussion and Analysis and Review of Interim Management's Discussion and Analysis Is Made

.A93-2021 This example is applicable when the auditor is making reference to an examination of annual MD&A and a review of interim MD&A. The same facts exist as in example A-1, except for the following:

- The auditor has examined the company's Management's Discussion and Analysis (MD&A) for the year ended December 31, 20X5, in accordance with AT section 701, *Management's Discussion and Analysis*.
- The auditor has also performed reviews of the company's unaudited condensed consolidated financial statements in accordance with generally accepted auditing standards applicable to reviews of interim financial information and the company's MD&A for the three-month period ended March 31, 20X6, in accordance with AT section 701.
- The accountant's reports on the examination and review of MD&A have been previously issued, but not distributed publicly; none of these reports is included in the securities offering. In this example, the auditor has elected to attach the previously issued reports to the comfort letter (see paragraph ~~A33A32~~ **A33A32**).

Appropriate modifications would be made to the opening paragraph of the comfort letter if the auditor has performed a review of the company's annual MD&A.

The following would be substituted for the first paragraph of example A-1.

We have audited the consolidated financial statements of The Nonissuer Company, Inc. (the company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X5 and 20X4, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 20X5, the related notes to the consolidated financial statements, and the related financial statement schedules, all included in The Issuer Company's (the registrant) registration statement (no. 33-00000) on Form S-1 filed by the registrant under the Securities Act of 1933 (the Act); our reports with respect thereto are also included in that registration statement. The registration statement, as amended on June 28, 20X6, is herein referred to as the registration statement. Also, we have examined the company's Management's Discussion and Analysis (MD&A) for the year ended December 31, 20X5, included in the registration statement, as indicated in our report dated March 28, 20X6; our report with respect thereto is attached. We have also reviewed the unaudited condensed consolidated financial statements as of March 31, 20X6 and 20X5, and for the three-month periods

then ended, included in the registration statement, as indicated in our report dated May 15, 20X6, and have also reviewed the company's MD&A for the three-month period ended March 31, 20X6, included in the registration statement, as indicated in our report dated May 15, 20X6; our reports with respect thereto are attached.

The following paragraph would be added after paragraph 3 of example A-1:

4. We have not examined any MD&A of the company as of or for any period subsequent to December 31, 20X5; although we have made an examination of the company's MD&A for the year ended December 31, 20X5, included in the registration statement, the purpose (and, therefore, the scope) of the examination was to enable us to express our opinion on such MD&A, but not on the MD&A for any interim period within that year. Therefore, we are unable to and do not express any opinion on the MD&A for the three-month period ended March 31, 20X6, included in the registration statement, or for any period subsequent to March 31, 20X6.

2. This amendment is effective for comfort letters issued on or after December 15, 2014.

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