



## Agenda Item 3C

### **Analysis of Comments Received on Proposed Statements on Auditing Standards, *Auditor Involvement with Exempt Offering Documents***

# 1	Piercy Bowler Taylor Kern	PBTK
# 2	National Association of State Boards of Accountancy	NASBA
# 3	Tennessee Department of Audit, Division of State Audit	TN
# 4	Commonwealth of Virginia, Auditor of Public Accounts	VA
# 5	Illinois CPA Society	IL
# 6	National State Auditors Association	NSAA
# 7	KPMG	KPMG
# 8	Deloitte & Touche LLP	D&T
# 9	AICPA Private Companies Practice Section	PCPS
#10	Office of the Auditor General - Michigan	MI
#11	Legislative Audit Division – State of Montana	MT
#12	PricewaterhouseCoopers	PwC
#13	RSM US LLP	RSM
#14	BDO USA LLP	BDO
#15	Ernst & Young LLP	EY
#16	Grant Thornton LLP	GT
#17	Moss Adams LLP	MA
#18	Florida Institute of Certified Public Accountants	FICPA
#19	Baker Tilly Virchow Krause, LLP	BT
#20	Virginia Society of Certified Public Accountants	VSCPA

***This document is for reference only.***

Please note that comments that are addressed in Item 3 – Exempt Securities Issues Paper are highlighted green with a cross-reference to the Issue number in that paper.

Exempt Securities Analysis of Comments Received  
ASB Meeting, January 9-12, 2017

**Overall Comments**

No.	From	¶ / Topic	Comment	Supportive?	TF Response
1	PBTK	Overall	<p>Concept of association is a useful one and should be restored to professional standards. Do not support the broader concept of involvement as proposed in the ED (see comment 33)</p> <p>Auditor responsibilities (and related procedures) should be prescribed by a standard only when the auditor is associated with the f/s pursuant to the definition that last appeared in AU sec 504.03, not the broader notion of involvement. Involvement should not be used in the title or the body of the final SAS and that the proposed definition in .A6 be omitted. Suggest removing the term from the Guide going forward.</p> <p>Final standard should contain amendments to AU-C secs 570, 700, 720, 920, and 925.</p>	No	<p>Change suggested, not made.</p> <p><b>Agenda Item 3 (General)</b></p>
2	VA	Overall	Supportive	Yes	
3	IL	Overall	Valuable addition to the standards.	Yes	
4	NSAA	Overall	Generally agree	Yes	
5	D&T	Overall	Support the issuance of the standard.... the exempt offering document could undermine the credibility of the financial statements and the auditor's report thereon. The performance of these procedures will provide an additional level of scrutiny by the auditor of the information included in the exempt offering document, thereby enhancing the trust that the user can place on the information provided by the entity and upon which the user may make investment decisions	Yes	
6	D&T	Application	D&T recognizes that the AICPA is aware of the Securities and Exchange Commission's (SEC) findings pertaining to violations of compliance with continuing disclosure obligations in municipal bond offering documents of municipal issuers and certain not-for-profit entities. <b>However, given the more</b>	Change	<p>Change suggested, not made.</p> <p><b>Agenda Item 3 (Issue II)</b></p>

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No.	From	¶ / Topic	Comment	Supportive?	TF Response
			<p>recent and high profile related enforcement actions filed by the SEC, we recommend that the proposed SAS also require the auditor to consider performing the procedures in the proposed SAS where the auditor becomes aware that the auditor's report is to be included in the exempt offering document and the triggers outlined in paragraph 8 have not been met, as this would better serve the public interest.</p> <p><i>See also Comments 40 &amp; 117.</i></p>		
7	PCPS	Overall	TIC supports the types of offerings that would fall under the scope of the proposal and all of the proposed activities that would trigger auditor involvement in exempt offerings.	Yes	
8	PwC	Overall	We are supportive of the Proposed SAS and believe it will help to clarify what actions constitute involvement with an exempt offering and the auditor requirements with respect to such offerings.	Yes	
9	RSM	Overall	Overall, we are supportive of the proposed standard as it includes structured requirements that will provide more uniformity in practice with respect to auditor involvement with exempt offerings. We believe the guidance and requirements included in the proposed standard generally are consistent with the auditor's professional responsibilities when the auditor's report is included in a municipal security offering document as currently included in the AICPA Audit and Accounting Guides, <i>State and Local Governments</i> and <i>Health Care Entities</i> . We agree it is appropriate to standardize, and move to an auditing standard, specific guidance as to when the auditor is considered to be involved with an exempt offering document, together with procedures that are required to be performed when the auditor is involved.	Yes	
10	BDO	Overall	We support the development of the proposed SAS to address the industry specific auditing requirements that were previously set out in the AICPA Audit and Accounting <i>Guides State and Local Governments</i> and <i>Health Care Entities</i> ,	Yes	

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			but which were revised or eliminated as part of the Auditing Standards Board's project to revise its standards for clarity.		
11	EY	Overall	<p>We support the issuance of the proposed SAS. Prior to the ASB's clarity project, the AICPA's Audit and Accounting Guides for <i>State and Local Governments</i> and <i>Health Care Entities</i> provided industry specific requirements on when an auditor was deemed to be involved in an exempt offering. Because the clarity project softened the language in these guides to remove the industry-specific requirements, we believe a standard is necessary to clarify when an auditor is required to be involved in an exempt offering and the auditor's resulting responsibilities. The size and number of these offerings also indicate that a standard is needed.</p> <p>We agree with the proposed language about when an auditor would be considered involved in an exempt offering document and with the procedures that the auditor would be required to perform.</p>	Yes	
12	MA	Overall	We support the efforts of the Auditing Standards Board to address the topic of auditor involvement with exempt offerings, and to promote consistency in the application of auditor responsibilities, as a matter of public interest, when auditors are involved with offerings of exempt securities and franchise offerings.	Yes	
13	BT	Overall	We commend the Auditing Standards Board for taking up this project. We believe that practitioners and the public will benefit from the additional clarification provided with respect to the auditor's role in exempt offerings. The world of exempt offerings is expanding and the benefits to the investing public through auditors involvement is of great importance. We agree with the proposal.	Yes	

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**Issue 1:** Feedback on the types of offerings included in the scope of the standard, specifically franchise offerings.

No.	From	¶ / Topic	Comment	Agree with scope?	TF Response
14	PBTK	Issue 1	Know of no reason why franchise offerings should be excluded from the scope (limited experience with franchise offerings). Believe the scope is appropriately suited to its objective	Agree	
15	NASBA	Issue 1	Agree that franchise offerings should be included in the scope.	Agree	
16	TN	Issue 1	We agree with inclusion of franchise offerings within the scope. We find no reason why they should not be included.	Agree	
17	IL	Issue 1	We are not aware of any offerings other than those described in paragraph 2 that should be included in the scope of the proposed standard and do agree that franchise offerings should be included in the scope of the proposed standard.	Agree	
18	NSAA	Issue 1	We agree with the types of offerings included in the scope of the proposed standard. However, our members did not inform us of any involvement with franchise offerings and therefore, we do not have specific feedback on their inclusion in the scope of the proposed SAS.	Agree	
19	KPMG	Issue 1	We believe the types of offerings included in the scope of the Proposed Standard are appropriate.	Agree	
20	D&T	Issue 1	It is appropriate for the franchise offerings regulated by the Federal Trade Commission to be included in the scope of the proposed SAS.	Agree	

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**Issue 1:** Feedback on the types of offerings included in the scope of the standard, specifically franchise offerings.

21	PCPS	Issue 1	<p>TIC members have limited experience with franchise offerings regulated by the FTC. However, TIC agrees that these types of offerings should be included within the scope of this ED. TIC could not identify any significant differences in the characteristics of franchise offerings that would warrant excluding them.</p> <p>TIC also believes the inclusion of securities exempted from registration under the Securities Act of 1933, as amended, is appropriate. TIC is not aware of any additional offerings that should be included in the scope of this ED.</p>	Agree	
22	MI	Issue 1	<p>We consider the use of the phrase “securities exempt from registration under the Securities Act of 1933, as amended (Securities Act of 1933)” as sufficiently broad to encompass government issued securities, and therefore achieves the Board’s intent. Since franchise offerings are not government issued securities, we offer no opinion on them.</p>	Agree	
23	MT	Issue 1	<p>We are not providing feedback on whether franchise offerings should be included because we have no involvement in these type of offerings.</p>	n/a	
24	PwC	Issue 1	<p>We agree with the types of offerings included in the scope of the Proposed SAS, including franchise offerings.</p>	Agree	
25	RSM	Issue 1	<p>We agree that for purposes of this standard, “exempt offerings” are properly defined to include both (a) securities exempt from registration under the Securities Act of 1933, as amended, and (b) franchise offerings regulated by the Federal Trade Commission (FTC). As a matter of practice risk management, RSM US LLP requires involvement with exempt offerings when the auditor’s report is included in, and the auditor is otherwise involved with, the offering document; however, not all firms follow this protocol. There is no requirement by the SEC or the FTC for auditor involvement in such offerings, and thus it is</p>	Agree	

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			important that the Auditing Standards Board clarify and specify the auditor's required involvement as described in the exposure draft.		
26	BDO	Issue 1	Paragraph 1 of the proposed SAS explains that the scope includes securities exempt from registration under the Securities Act of 1933, as amended, and franchise offerings regulated by the Federal Trade Commission. Except as discussed in our comments on paragraph 1 below, we believe the scope of the proposed SAS is appropriate and properly includes franchise offerings since the objective of the auditor when involved in a franchise offering is the same as when involved in exempt offerings. The objective in both circumstances is to perform procedures to determine whether information included in the offering document could undermine the credibility of the financial statements and the accompanying auditor's report.	Agree	
27	EY	Issue 1	We agree with the types of offerings included within the scope of the proposed standard. Further, we believe that franchise offerings should be within scope of the proposed standard because they are exempt offerings.	Agree	
28	GT	Issue 1	We agree with the types of offerings included in the scope of the Proposed SAS, and we believe that it is appropriate to include franchise offerings.	Agree	
29	MA	Issue 1	We believe it is appropriate to include franchise offerings because they typically require the auditor's report and the related financial statements to be included in the offering documents.	Agree	
30	FICPA	Issue 1	We are in agreement with all the types of offerings included in paragraph 2.	Agree	
31	BT	Issue 1	We agree with the scope of the proposal and concur with inclusion of franchise offerings regulated by the Federal Trade Commission. We believe that the list of exempt offerings in Appendix A appears to be complete, and	Agree, with comment	Change suggested, made. 1(a)ii

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			<p>note that there is a likelihood of increased activity with respect to crowd funding and the new and expanded exemptions available under Regulation A.</p> <p>Appendix A also notes that not all franchise offerings are regulated by the FTC as some are subject to state franchise laws. <u>We recommend that these offerings, despite their diversity, be in scope for this standard.</u></p>		
32	VSCPA	Issue 1	We agree that franchise offerings should be included in the scope of the proposed SAS.	Agree	

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**Issue 2:** Whether they believe the activities that have been identified should trigger involvement and whether additional activities should be considered as triggers for involvement.

No.	From	¶ / Topic	Comment	Agree with triggers?	TF Response
33	PBTK	Issue 2 8a & 8(b)(vii)	Expand 8a (auditor's report is included in offering) to include a requirement for the auditor's permission (conform language to the definition of association in AU sec 504.03). No other condition for association should be cited in the requirements. Item 8(b)(vii) should be presented as evidence of the granting of permission (even absent a provision in the letter of engagement or another written document/consent)	No	Changes suggested, not made. <a href="#">Agenda Item 3 (Issue II)</a>
34	NASBA	Issue 2	We agree with the seven activities identified in paragraph 8(b) that would trigger the requirements of the proposed SAS. We also understand that there are some firms that do include provisions in the terms of engagement letters as noted in A2 and agree that provision would not establish involvement under the proposed SAS unless the auditor is engaged to perform or otherwise performs one or more of the activities in paragraph 8(b). We also understand there are situations where an auditor may include provisions in the terms of engagement letters as noted in A3, and agree that such language should be included in an offering document where an auditor is not involved, other than as defined by paragraph 8.	Agree	
35	TN	Issue 2	We agree with the suggested triggers because they represent long-standing industry practice and are understood.	Agree	
36	VA	Issue 2	The condition provided does not involve the same level of participation by the auditor as the other conditions listed and, in government audit offices, audit reports are generally public documents available to anyone. Therefore, we	8(b)vi change	Change suggested, not made. <a href="#">Agenda Item 3 (Issue II)</a>

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**Issue 2:** Whether they believe the activities that have been identified should trigger involvement and whether additional activities should be considered as triggers for involvement.

No.	From	¶ / Topic	Comment	Agree with triggers?	TF Response
			believe the condition included in 8(b)vi should be removed from the triggering the requirements of the SAS.		
37	IL	Issue 2	We also agree that the activities described in paragraph 8(b) should trigger involvement by the auditor and we have no additional activities to propose.	Agree	
38	NSAA	Issue 2	We agree with the list of activities in the proposed SAS that have been identified as triggering involvement by the auditor. We have no suggestions for additional activities.	Agree	
39	KPMG	Issue 2	We believe the Board has identified a comprehensive list of appropriate triggers for auditor involvement with offerings in the scope of the Proposed Standard. Further, we believe the Board appropriately did not require involvement in all instances when exempt offerings may include an auditor's report in offering documents without obtaining the auditor's permission as no laws or rules prohibit such an inclusion	Agree	
40	D&T	Issue 2	We believe that the specified activities that have been identified do trigger involvement of the auditor, and as such are appropriate. <b>See also Comments 6 &amp; 117.</b> In addition, D&T strongly believes that, in the absence of a triggering event, when auditors otherwise become aware that the auditor's report and the related financial statements are being included in an exempt offering document, it is in the best interest of the public for the auditor to consider performing the procedures outlined in the proposed SAS in paragraphs 10-17. <b>To that end, we recommend that an additional requirement be added to the</b>	Add'l req't	Change suggested, not made <b>Agenda Item 3 (Issue II)</b>

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**Issue 2:** Whether they believe the activities that have been identified should trigger involvement and whether additional activities should be considered as triggers for involvement.

No.	From	¶ / Topic	Comment	Agree with triggers?	TF Response
			<b>proposed SAS addressing the auditor’s consideration to perform the procedures when the auditor has knowledge that the auditor’s report will be included in an exempt offering document or otherwise used for due diligence purposes. See our proposed recommendation at paragraph 8x below.</b>		
41	PCPS	Issue 2	TIC believes the triggers for involvement should include those that currently reside in the AICPA Audit and Accounting Guides, <i>State and Local Governments</i> and <i>Health Care Entities</i> . TIC also believes that adding item 8(b)(iv), “participating in due diligence discussions with underwriters, placement agents, broker-dealers, or other financial intermediaries in connection with an offering document,” is an appropriate addition to the triggers for involvement. TIC did not identify any other activities that should be considered additional triggers for involvement.	Agree	
42	PwC	Issue 2	We agree with the activities identified in the Proposed SAS that trigger involvement and we do not believe any additional activities should be considered as triggers for involvement.	Agree	
43	RSM	Issue 2	We have one area of concern regarding the proposed standard, and that is the specificity of the activities that trigger the involvement of the auditor. We believe there needs to be more clarity as to when the requirements of this proposed standard apply as opposed to when only the requirements of AU-C 720, <i>Other Information in Documents Containing Audited Financial Statements</i> , apply because there may be confusion as to the interplay between the two standards. Paragraph 8(b)ii. of the proposed standard requires the auditor to apply the requirements of the proposed standard when	Concern	Change suggested, not made. See also comments 43, 86, 87, 88, 89, 90, 91

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No.	From	¶ / Topic	Comment	Agree with triggers?	TF Response
			<p>the auditor’s report is included in the exempt offering document and the auditor reads a draft of the offering document at the entity’s request. Paragraph .06 of AU-C 720 requires the auditor to read the other information of which the auditor is aware in order to identify material inconsistencies, if any, with the audited financial statements.</p> <p>We believe the requirement in paragraph 8(b)ii. of the proposed standard should be expanded so as to further explain what “reading a draft of the offering document” means and thereby clarify how this “reading” differs from the “reading” for inconsistencies required by paragraph .06 of AU-C 720. Therefore, we suggest revising the requirement in paragraph 8(b)ii. of the proposed standard to read as follows (proposed additions are shown in bold font; proposed deletions are struck through):</p> <p style="padding-left: 40px;">ii. Reading a draft of the offering document <del>at</del> <b><u>in response to</u></b> the entity’s request <b><u>to provide oral or written comments on the content of the offering document based on the auditor’s professional experience and knowledge regarding such documents</u></b> (Ref: par. A9)</p>		
44	BDO	Issue 2	We understand that the seven activities listed in paragraph 8(b) of the proposed SAS are based on long-standing industry guidance regarding the auditor’s professional responsibilities in connection with municipal securities offerings, and we agree they are the appropriate triggers.	Agree	
45	EY	Issue 2	We believe the activities listed in paragraph 8(b) should trigger auditor involvement. We could not identify any other activities that should trigger auditor involvement.	Agree	

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**Issue 2:** Whether they believe the activities that have been identified should trigger involvement and whether additional activities should be considered as triggers for involvement.

No.	From	¶ / Topic	Comment	Agree with triggers?	TF Response
46	GT	Issue 2	We believe the activities that have been identified in the Proposed SAS are appropriate in triggering auditor involvement.	Agree	
47	FICPA	Issue 2	The Committee agrees the activities identified in paragraph 8(b) should trigger auditor involvement.	Agree w/ edits to 8(b)(iv)	
48	BT	Issue 2	We agree with the triggers identified to signal auditor involvement and the application of the proposed standard. We did not identify any additional triggers to be included.	Agree	
49	VSCPA	Issue 2	We agree with the activities identified that trigger involvement and have not identified any additional activities that the Board should consider.	Agree w/ edits to 8(b)(ii) a & 8(b)vii	

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
50	PBTK	Issue 3	Unless provided for under the terms of the engagement only when association is present should an auditor become responsible to perform the AU-C sec 560 procedures.	No	Change suggested, not made. See also comments 1 & 33.
51	TN	Issue 3	Regardless of whether management has a requirement to assess the impact of subsequent events, we believe the public interest is best served when the practitioner performs a subsequent events assessment. See Comment 118.	Yes	
52	IL	Issue 3	We agree that the subsequent event procedures described in paragraphs 12 – 17 are appropriate in circumstances when an auditor is involved with an exempt offering document.	Yes	
53	NSAA	Issue 3	We agree with the proposed requirements for subsequent event procedures that will need to be performed when the auditor is deemed involved with an exempt offering. We appreciate the clarification in paragraph A26 regarding government entities and component units.	Yes	
54	KPMG	Issue 3	We believe that, as a matter of public interest, the nature and extent of subsequent event procedures should be consistent with the requirements described in AU-C section 925, <i>Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933</i> . These procedures are well understood and do not create an undue burden on the auditor. Therefore we are supportive of the requirements in the Proposed Standard and the proposed amendments to AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> .	Yes	

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
55	D&T	Issue 3	D&T concurs with the approach adopted in the proposed SAS relating to the required subsequent event procedures. While management of the entity, or the franchisor, as applicable, issuing the exempt offering document may not be required by the applicable financial reporting framework or otherwise to evaluate the impact of subsequent events on the financial statements, we don't believe that means that management of the entity, or the franchisor, shouldn't be considering the impact of subsequent events on the information reflected in the exempt offering document and whether there are any additional required continuing disclosure obligations that need to be fulfilled.	Yes with edits to A22	
56	PCPS	Issue 3	<p>TIC believes the proposed procedures could be perceived to expand the auditor's responsibility for subsequently discovered facts, namely for type 2 subsequent events, in connection with exempt offerings and may have unintended consequences, especially for certain governmental entities.</p> <p>Paragraph 12(a) of the ED states, in part, that the auditor should perform the following procedures described in AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>:</p> <p style="padding-left: 40px;">Procedures designed to identify events occurring between the date of the auditor's report and the date of the distribution, circulation, or submission of the offering document that require adjustment to, or disclosure in, the financial statements.</p> <p>Effectively, paragraph 12(a) of the ED is extending the auditor's subsequent event procedures beyond what is required by AU-C 560 (except in reissuance circumstances). As a result, disclosures that may be required up to the report release date would be extended into the period through the date of the</p>		<p>Change suggested, made.</p> <p>Par 12(a) and A29</p> <p><b>Agenda Item 3 (Issue III)</b></p>

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
			<p>distribution, circulation or submission of the offering document. If the ED is finalized as written, <b>there may be costly implications for certain governmental entities.</b></p> <p><i>GASB Statement 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, paragraph 13, includes the following disclosure requirement regarding unrecognized subsequent events (i.e., events that provide evidence with respect to conditions that did not exist at the date of the statement of net position but arose subsequent to that date):</i></p> <p style="padding-left: 40px;">Other examples of nonrecognized events that require disclosure in the notes to the financial statements but should not result in adjustment include <b>the issuance of bonds</b>, the creation of a new component unit, or the loss of a government facility as a result of a tornado, fire, or flood. (Emphasis added)</p> <p>The above requirement to disclose the subsequent issuance of bonds currently applies to the period between the date of the statement of net position and the date of issuance of the financial statements. GASB Statement 56, paragraph 14, states that the disclosure requirement would also apply when the financial statements are to be reissued. (FASB guidance, contained in ASC paragraphs 855-10-50-5, 855-10-25-4 and 855-10-55-2, also implies that subsequent bond issuances should be disclosed if financial statements are reissued [i.e., revised]).</p> <p>TIC is concerned about the implications of Paragraph 12 of the ED in the governmental reporting environment. Certain governments may issue multiple exempt offerings subsequent to the issuance date of the annual financial</p>		

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
			<p>statements. (One TIC member noted that a single government may have as many as five different bond offerings in one year.)</p> <p>TIC believes the subsequent events procedures in paragraph 12 of the ED could be construed to imply that the auditor may be required with every exempt offering that they are involved with to ensure that management adds a note to the financial statements about each bond issuance that occurred from the date of the financial statements through the exempt offering date. In cases where an entity has multiple subsequent bond offerings, this could mean that the auditor would be required to ensure that all subsequent offerings are included in the notes to the financial statements and those notes are audited in accordance with AU-C section 560.</p> <p>TIC believes disclosure of subsequent exempt offerings should be included among the disclosures in the offering document and should not trigger a requirement for the governmental entity to revise its financial statements. To that end, TIC recommends that additional implementation guidance be added to the final standard to clarify that the auditor's involvement in exempt offerings does not constitute a reissuance of the financial statements (unless the financial statements are revised for correction of an error) and that the auditor's procedures regarding the subsequent discovery of facts do not extend disclosure requirements beyond the requirements of the applicable financial reporting framework. The intent of the auditor's procedures should be to determine if any material issues have arisen that would call into question revisions to the auditor's report.</p>		

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
57	MI	Issue 3	We consider the proposed requirement as overly burdensome on the auditor and agree with the view expressed on page 6 that if a preparer (the entity seeking to issue securities) has not requirement to evaluate the impact of events occurring subsequent to the issuance of their financial statements, it is inappropriate to require the auditor to perform these procedures.	No	Change suggested, not made. <i>Agenda Item 3 (Issue III)</i>
58	MT	Issue 3	Subsequent events procedures are appropriate when the auditor is involved with an exempt offering. Our office completes subsequent events inquiries as part of providing written agreement for the use of the auditor's report in an offering document. In the past, we have identified material subsequent events relevant to the reader's understanding of the entity's financial position and requested disclosure of those events in the notes to the financial statements prior to providing written agreement.	Yes	
59	PwC	Issue 3	We agree with the proposed requirement for subsequent event procedures to be performed when the auditor is deemed involved with an exempt offering document. We believe the requirement will support the objective of the Proposed SAS related to the credibility of the audited financial statements or interim financial information and the related auditor's report.	Yes	
60	BDO	Issue 3	We believe that the auditor should be required to perform subsequent event procedures to determine if any material events occurred subsequent to the report date that could undermine the credibility of the audited financial statements or interim financial information and the auditor's report thereon. We recognize that some have argued that given the absence of a regulatory requirement for subsequent event procedures, the auditor's decision whether to perform such procedures is a risk management decision. However, while	Yes	

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
			there may not be a regulatory requirement to evaluate the impact of subsequent events on financial statements included in exempt offerings, we believe certain required minimum procedures are essential to ensure the quality of auditor reporting is consistent across all exempt offerings.		
61	EY	Issue 3	We agree with the proposed requirement to perform subsequent event procedures when an auditor is involved in an exempt offering document. We think the performance of subsequent event procedures serves the public interest and addresses compliance with the antifraud provisions of these offerings.	Yes, with edits to 12(a) & 19(c)	
62	GT	Issue 3	We generally support the subsequent events procedures proposed in the draft and believe it is in the public's interest for the auditor to perform these types of procedures. <b>However, we recommend that the Board consider whether additional guidance should be provided with respect to (1) application guidance including matters for consideration that the auditor would need to be alert to regarding disclosures or financial statement items of importance; and (2) the possible responses to those items when identified.</b>		Change suggested, not made.
63	FICPA	Issue 3	The proposed requirement for subsequent event procedures is consistent with current audit practices of which we agree upon.	Yes	
64	MA	Issue 3 8(b)i	Paragraphs 12-17 provide guidance on the auditor's responsibility to perform subsequent event procedures when the auditor is involved in with an exempt offering document. We agree that these procedures are appropriate in a variety of situations when the auditor is involved with an exempt offering document, particularly those situations where the auditor provides an		Change suggested, not made. <b>Agenda Item 3 (Issue III)</b>

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
			<p>inclusion letter, comfort letter, or other written communication in conjunction with the offering.</p> <p><b>However, we are concerned that certain events triggering involvement do not necessarily warrant the extent of subsequent events procedures included in the proposed SAS.</b> For example, as currently proposed in paragraph 8(b)(i), assisting the entity in preparing information that is contained in the offering document would trigger involvement, and necessitate performance of the proposed subsequent event procedures. As noted above, there are circumstances in which the auditor may perform nonattest services to assist the entity in preparing information included in the offering document, without the auditor's previous knowledge that the information resulting from such services would be included in an offering document prior to performing the nonattest services.</p> <p>We recommend the ASB further consider whether subsequent event procedures are appropriate for all of the proposed triggering activities, particularly those proposed in paragraph 8(b)(i).</p>		
65	BT	Issue 3	We agree that the subsequent events procedures are desirable and necessary when auditors have become involved. We believe that these procedures, along with reading the offering documents, are appropriate when involvement occurs.	Yes	
66	NASBA	Issue 3	When an auditor is involved with an exempt offering document, we agree that subsequent event procedures should be performed as outlined in the proposed SAS.	Yes	

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**Issue 3:** Views regarding proposed requirement for subsequent event procedures.

No.	From	¶ / Topic	Comment	Supportive of Sub Events?	TF Response
67	VSCPA	Issue 3	When an auditor is involved with an exempt offering document, we agree that subsequent event procedures should be performed as outlined in the proposed SAS.	Yes	

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No.	From	¶ / Topic	Comment	Change?	TF Response
68	NASBA	1(a) Incorporated by reference (par. 7)	<p>The proposed standard includes reference to items that may be “incorporated by reference in an offering document.” We realize this is utilized in situations where companies may make their financial statements publicly available in other filings under the Securities Exchange Act; however, it is not clear how this can occur with an exempt offering document.</p> <p>Examples and clarification should be provided as to how this can occur with respect to an exempt offering document.</p>	Yes	Change suggested, not made.
69	BDO	1(a) Non-issuer	<p>Paragraph 1 refers to the auditor’s report on the financial statements or the auditor’s review report on interim financial information of an entity. To clarify that this guidance applies solely to non-issuers, we suggest adding the word ‘non-issuer’ before the word ‘entity’ in part a of the paragraph. As a result, paragraph 1.a. would read as follows:</p> <p style="padding-left: 40px;">The auditor’s report on financial statements or the auditor’s review report on interim financial information of a <b>non-issuer</b> entity is included or incorporated by reference in an offering document relating to...</p>	Yes	Change suggested, not made.
70	BDO	1(a)i Edit	<p>We note that paragraph 1(a).i refers to securities exempt from registration under the Securities Act of 1933, however, we believe the term ‘offerings’ should be included in the sentence since we understand that ‘offerings’ (not securities) are registered under the Securities Act. Accordingly, we suggest revising this sentence as follows:</p> <p style="padding-left: 40px;"><b>Offerings of</b> securities exempt from registration under the Securities Act of 1933...</p>	Yes	Change suggested, made. 1(a)i

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No.	From	¶ / Topic	Comment	Change?	TF Response
71	PwC	A2 Voluntary Association	Paragraph A2 provides application guidance in situations where an auditor is associated with the offering document as a condition of the terms of the engagement. As written, the second sentence of the paragraph might be misinterpreted to mean the requirements of the Proposed SAS are not applicable unless the auditor also performs one or more of the activities in 8(b), as the second sentence discusses that the engagement letter does not establish involvement unless the auditor is engaged to perform one or more of the activities in paragraph 8(b). We do not believe this was the ASB's intention, and suggest the second sentence be deleted or clarified. If the ASB believes the second sentence does not need to be clarified, we would prefer the entire paragraph be deleted.	Yes	Change suggested, made.  1(b); 8(b); and A2
72	BT	A2 Engagement Letter	We also believe that the Application Guidance could be improved by providing guidance on engagement letters to be used when providing services, such as comfort letters, inclusion letters, etc.	Yes	Change suggested, not made.
73	EY	A2 Permission	Paragraph A2 states  "[t]he auditor may include a provision in the engagement letter requiring the entity to obtain permission from the auditor before using the auditor's report in connection with an exempt offering."  It is not clear whether the term "permission" refers to oral and/or written permission and whether oral permission would trigger auditor involvement under paragraph 8(b). <b>We believe this paragraph should specify that the written permission from the auditor should be in writing.</b>  In addition, this paragraph states	Yes	Change suggested, not made.  However, see Comment 71 and related changes.

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>“[t]he existence of such a provision in an engagement letter does not establish involvement unless the auditor is engaged to perform or otherwise performs one or more of the activities in paragraph 8(b) with respect to the offering document.”</p> <p>We do not agree with this sentence. If the auditor is required to provide written permission for the use of its report in the offering document, we believe this would trigger involvement pursuant to paragraph 8(b)vi.</p> <p>We therefore recommend the following changes to this paragraph:</p> <p>A2. The auditor may include a provision in the terms of the engagement requiring the entity to obtain <b>written</b> permission from the auditor before using the auditor’s report in connection with an exempt offering. The existence of such a provision <b>would trigger involvement pursuant to paragraph 8(b)vi</b> in an engagement letter <del>does not establish involvement unless the auditor is engaged to perform or otherwise performs one or more of the activities in paragraph 8(b) with respect to the offering document.</del> An example provision for an engagement letter may read as follows:</p> <p style="padding-left: 40px;">The Entity may wish to include our report on these financial statements in an exempt offering document. The Entity agrees that the aforementioned audit report, or reference to our Firm, will not be included in any such offering document without our prior <b>written</b> permission or consent. Any agreement to perform work in connection with an offering document, including an agreement to provide <b>written</b> permission or consent, will be a separate engagement.</p>		

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No.	From	¶ / Topic	Comment	Change?	TF Response
74	MA	3 & A4 Effective date	<p>Paragraph 3 describes the effective date as the date exempt offering documents with which the auditor is involved that are “initially distributed, circulated, or submitted” on or after June 15, 2018.</p> <p>Paragraph A4 seems to contradict paragraph 3 by limiting the effective date to the “initial distribution.”</p> <p>Furthermore, these terms are not sufficiently defined to ensure a consistently applied effective date. For example, neither the requirement nor the application guidance clarify whether “distribution” only occurs when an offering document is distributed externally beyond the working group, or whether it is when it is first distributed to a buyer or potential buyer, that is does not include draft documents, and so on. We suggest the terms used in these paragraphs be more fully defined so that the effective date is more precisely stated</p>	Yes	Change suggested, made. Par A4
75	EY	3 & A4 Effective date	<p>We recommend the following edit for clarity:</p> <p style="padding-left: 40px;">A4. Exempt offerings may have multiple stages, for example distribution of a preliminary offering document and a final offering document. The effective date relates to the initial distribution of an exempt offering <b>document</b> on or after June 15, 2018.</p>	Yes	Changes suggested, made throughout the SAS.
76	PwC	4 Objectives	<p>Under the Proposed SAS, an auditor who is deemed to be involved performs two types of procedures: the procedures similar to AU-C section 720, <i>Other Information in Documents Containing Audited Financial Statements</i> (“AU-C section 720”), and those similar to AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> (“AU-C section 560”). The objective articulated in paragraph 4 only appears to address the AU-C section 720 procedures performed on the offering document. We suggest paragraph 4 be clarified to</p>	Yes	Changes suggested, made. Par 4

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>make reference to both the procedures related to AU-C section 560 and AU-C section 720. We also note the use of the word “determine” may imply a different threshold than what is envisaged by AU-C section 720. We therefore suggest the following amendments to paragraph 4 (new language in <b><i>boldface italics</i></b>; deleted text is in strikethrough):</p> <p style="padding-left: 40px;">4. The objectives of the auditor when involved with an exempt offering document <del>is to perform procedures specified in this SAS to determine whether</del> <b><i>are to respond appropriately:</i></b></p> <p style="padding-left: 80px;"><b><i>a. When the auditor becomes aware that</i></b> the information included in the offering document could undermine the credibility of the financial statements and the auditor’s report thereon <del>and respond appropriately.</del>; <b><i>and</i></b></p> <p style="padding-left: 80px;"><b><i>b. To facts that become known to the auditor after the date of the auditor’s report that, had they been known to the auditor at that date, may have caused the auditor to revise the auditor’s report.</i></b></p> <p>As the words in this objective are directly aligned, in part, to the objective in AU-C section 720, we are of the view a conforming amendment to this Proposed SAS will be necessary when the amendments to AU-C section 720 are finalized.</p>		
77	D&T	5 & A5 & A5X	<p>In order for a franchisor to sell a franchise in the United States, the franchisor must comply with the FTC Franchise Rule, including the preparation of a Franchise Disclosure Document. Since the FTC Franchise Rule does not override state franchise laws, those state laws would also need to be adhered to by the franchisor. In addition, certain states are also members of the North</p>	Yes	Changes suggested, made (in combination with comments 77, 78, 79 and 80)

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>American Securities Administrators Association (NASAA). NASAA has adopted the disclosure requirements of the FTC Franchise Rule as well as requiring the franchisor to submit additional application documents; together this package constitutes the Uniform Franchise Registration Application (UFRA). There is a requirement for a “consent of accountant (or a photocopy of the consent) to the use of the latest audit report in the Franchise Disclosure Document” to be included in the UFRA (refer to Form F — Consent of Accountant).</p> <p>Given that the proposed SAS is applicable to both securities exempt from registration under the Securities Act of 1933 and franchise offerings regulated by the FTC, <b>we recommend that the definition of <i>inclusion letter</i> in paragraph 5 be amended to strike the notion that such a letter “is not considered to be part of the offering document.”</b></p>		Par 5
78			<p>We also recommend adding an example specific to franchise offerings in paragraph A5x, so as to address those situations where a letter from the auditor agreeing to the inclusion of the auditor’s report on the financial statements may actually be required when dealing with a franchise offering, as noted in the circumstances discussed in Comment 77 (UFRA Form F).</p> <p>5. ...</p> <p><b>Inclusion letter.</b> A letter requested by the entity <b>or franchisor</b>, addressed to the entity <b>or franchisor, as applicable</b>, and signed and dated by the auditor indicating that the auditor agrees to the inclusion of the auditor’s report on financial statements (or the auditor’s review report on interim financial information) in the <b>exempt</b> offering document. <del>This letter is not considered to be part of the offering document.</del> (Ref: par. 5-A5x)</p>	Yes	<p>Changes suggested, made (in combination with comments 77, 78, 79 and 80)</p> <p>Par 5, A5, A6, A7</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p><b>A5. For securities exempt from registration under the Securities Act of 1933, a</b> An inclusion letter may also be referred to as an <i>agree-to-include letter</i>, an <i>acknowledgement letter</i>, or an <i>awareness letter</i>. <b>This type of inclusion letter is not considered to be part of the exempt offering document.</b> Note that <i>awareness letter</i> is defined in AU-C section 925 with a different meaning in that context.</p> <p><b>A5x. For franchise offerings regulated by the Federal Trade Commission, certain states may require that that a <i>consent of accountant</i> be obtained. This consent, also referred to as an <i>acknowledgement letter</i>, is a required disclosure form, and is considered part of the Franchise Disclosure Document.</b></p>		
79	EY	5	<p>We recommend the following edits for clarity:</p> <p><b>Inclusion letter.</b> A letter requested by <b>and addressed to</b> the entity <del>that is, addressed to the entity,</del> and signed and dated by the auditor indicating that the auditor agrees to the inclusion of the auditor’s report on financial statements (or the auditor’s review report on interim financial information) in the <b>exempt</b> offering document. This letter is not considered to be part of the <b>exempt</b> offering document.</p>		<p>Changes suggested, made (in combination with comments 77, 78, 79 and 80)</p> <p>Par 5</p>
80	GT	5	<p>Should the definition of “inclusion letter” include the following language since the definitions paragraph precedes proposed paragraph 7, which specifies that references to “included” also encompass “incorporated by reference” in an offering document?</p> <p>...indicating that the auditor agrees to the inclusion <b>or incorporation by reference</b> of the auditor’s report on financial statements...</p>	Yes	<p>Changes suggested, made (in combination with comments 77, 78, 79 and 80)</p> <p>Par 5</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
81	NSAA	8	Paragraph 8 –We suggest the Board consider some minor additions to this paragraph to ensure it is clearly understood that the conditions listed under this paragraph result in an auditor’s involvement. Using the language already included in paragraph 1, we suggest this paragraph be revised as follows (bold language added): “The auditor <b>is deemed to be involved with the offering document</b> and should apply the requirements of this SAS...”	Yes	Change suggested, made. Par 8
82	D&T	8, A5y Incorporated by Reference	<p>While D&amp;T recognizes that in paragraph 7 the proposed SAS clarifies that the word “included” in an exempt offering document is to be read to also encompass an auditor’s report that is “incorporated by reference” in an exempt offering document, we believe that it is important to further highlight that fact when reading the requirement in paragraph 8(a) given that understanding the requirements in paragraph 8 are crucial to the appropriate execution of the proposed SAS. Consequently, D&amp;T believes that the phrase “<b>incorporated by reference</b>” should be added to paragraph 8(a).</p> <p>Further, we believe that application guidance should be added to clarify what is intended by “incorporated by reference” in the context of the proposed SAS, and the fact that in these circumstances, the auditor’s report and the related financial statements should, at a minimum, be readily available to the investor or franchisee, as applicable.</p> <p><b>A5y. Incorporated by reference for the purposes of this proposed SAS, means the act of including the auditor’s report and the related financial statements within the exempt offering document by only mentioning or referring to the auditor’s report and the related financial statements. The purpose or intention is to make the auditor’s report and the related financial statements a part of the exempt offering document. The auditor’s report and the related</b></p>	Yes	Changes suggested to 8(a) and A5y, not made.

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<b>financial statements need to be readily available to the users of the exempt offering document in order to be considered incorporated by reference.</b>		
83	PBTK	8(b)	Activities in 8(b) should be relocated to Application guidance to be presented as examples of activities that could cause the auditors to find out that their audit report is included in the draft offering document, and that absent persuasive evidence to the contrary, performance of such would be presumed to be indicative of the permission necessary to meet the definition of association.	Yes	Change suggested, not made.
84	MA	8(b) Otherwise performs	<p>Paragraph 8(b) of the proposed SAS describes the condition in which the auditor is engaged to perform, “or otherwise performs”, one or more of the listed activities for purposes of determining whether the auditor is involved in the exempt offering and in the scope of the proposed SAS. The phrase “otherwise performs” is undefined. <b>We are concerned that without a clearer explanation of this phrase it may lead to inconsistent application.</b></p> <p>We recommend the ASB provide some guidance regarding situations intended to be encompassed by the term “otherwise performs” to sharpen the focus on when an auditor’s activities put them within the scope of the proposed SAS or not. The alternative, to remove this language from paragraph 8(b), limiting the requirement to situations where the auditor is engaged to perform such activities, whether engaged in writing or verbal agreement, is not in the best interests of the public.</p>	Yes	<p>Change suggested, made by changing to “performs”</p> <p>See also comment 71.</p> <p>Par 1(b); 8(b); and A2</p>
85	MA	8(b)(i)	“Information” included in scope – Paragraph 8(b)i describes that auditor involvement is triggered when the auditor assists the entity in preparing information included in the offering document, and does not distinguish between information the auditor knew would be included versus information	Yes	<p>Change suggested, made.</p> <p>Par A10</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>that may have been prepared before the exempt offering was even considered by the entity.</p> <p>For example, the auditor may have assisted the entity in preparing a schedule of future lease revenue for the entity’s internal purposes, which ended up being included in the exempt offering documents that were developed much later.</p> <p>It also does not address or specifically exclude situations when the offering document gives no indication the auditor assisted in the preparation of the information. We believe intention is an important distinction, and that involvement in the offering should not be triggered when an auditor is not reasonably aware that the information he or she is assisting the entity to prepare will be included in an exempt offering document.</p> <p>We recommend the ASB add the words “to be” in 8(b)(i) so that it reads as follows:</p> <p style="padding-left: 40px;">Assisting the entity in preparing information <b>to be</b> included in the offering document”.</p>		
86	MA	8(b)ii & A9 Reading a draft	<p>In the application guidance for paragraph 8(b)ii, paragraph A9 states that reading a draft of the offering document encompasses situations in which the auditor “receives a request” from the entity to read and provide feedback on the offering document. The proposed SAS appears to attempt to draw a line between when an entity requests the auditor perform certain activities and when the auditor performs those activities anyway.</p> <p><b>If this is the case, we do not agree that simply receiving a request from the entity is an appropriate trigger for involvement.</b> In certain situations, the auditor may receive such a request from the entity but decline to provide the</p>	Yes	<p>Change suggested, not made. See also comments 43, 86, 87, 88, 89, 90, 91</p> <p style="background-color: #90EE90;">Agenda Item 3 (Issue V)</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>requested feedback, perhaps in order to remain outside the scope of the proposed SAS if there were no other triggers. <b>The auditor may nevertheless choose to read the offering document of their own accord in order to comply with the requirements of AU-C 720, Other Information in Documents Containing Audited Financial Statements.</b> If the ASB considers the entity's request a critical aspect of the auditor's involvement, we believe the proposed SAS should better differentiate between circumstances where the auditor reads a draft of the offering document <b>at the entity's request</b> and where the auditor reads a draft of the offering documents only in order to comply with AU-C 720, <b>and</b> the entity requested the auditor to read the documents, and the auditor refused the entity's request. <b>Accordingly, it is our view that the scope of proposed paragraphs 8(b)(ii) and A9 are too broad.</b></p> <p>We recommend the ASB amend paragraph A9 so that simply receiving a request from the entity does not trigger auditor involvement. Furthermore, we believe the proposal should be amended to clarify that simply fulfilling the requirements of AU-C 720 also does not trigger involvement. We believe providing examples of situations that are not intended to be encompassed in paragraph 8(b)(ii) (rather than situations that are intended to be encompassed) in paragraph A9 could be an effective manner of clarifying the intent of this trigger.</p>		
87	NSAA	8(b)ii Reading a draft	<p>We do not believe that the mere act of reading a draft of the offering document, in itself, constitutes involvement unless the auditor provides feedback to the entity. We believe this condition should be revised as follows (bold language added):</p> <p style="padding-left: 40px;">"Reading a draft of, <b>and providing feedback on</b>, the offering document at the entity's request."</p>	Yes	<p>Change suggested, not made.</p> <p>See also comments 43, 86, 87, 88, 89, 90, 91</p> <p style="background-color: #90EE90;">Agenda Item 3 (Issue V)</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
88	VA	8(b)ii	We do not believe that the act of reading a draft of the offering, in itself, constitutes involvement unless the auditor provides feedback to the entity. The Board may consider revising the part to say,  “Reading a draft of the offering document <b>and providing feedback</b> at the entity’s request.”	Yes	Change suggested, not made.  See also comments 43, 86, 87, 88, 89, 90, 91  <a href="#">Agenda Item 3 (Issue V)</a>
89	MI	8(b)i Reading a draft	We concur with the view expressed by the National State Auditor’s Association that the act of reading a draft of the offering document should not constitute “involvement” unless the auditor provides feedback to the entity. We agree with their revision of the trigger to say: “Reading a draft of, and providing feedback on, the offering document at the entity’s request.”	Yes	Change suggested, not made.  See also comments 43, 86, 87, 88, 89, 90, 91  <a href="#">Agenda Item 3 (Issue V)</a>
90	EY	8(b)ii Reading a draft	We recommend clarifying that if the auditor read a draft of the offering document even if the auditor was not requested to do so by the entity and provided comments and/or edits to the entity, that would trigger involvement.	Yes	Change suggested, not made.  See also comments 43, 86, 87, 88, 89, 90, 91  <a href="#">Agenda Item 3 (Issue V)</a>
91	VSCPA	8(b)ii Reading a draft	We believe paragraph 8(b)ii should be revised to clarify that involvement is only triggered if the auditor reads a draft of the offering document and provides feedback to the entity.	Yes	Change suggested, not made.  See also comments 43, 86, 87, 88, 89, 90, 91  <a href="#">Agenda Item 3 (Issue V)</a>

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No.	From	¶ / Topic	Comment	Change?	TF Response
92	MA	8(b)ii - A7	<p>Paragraph A7 describes items that are not considered “information included in the offering document” that are referred to in paragraph 8(b)(i). Among the list is “...supplementary information [SI] other than required supplementary information accompanying those financial statements that the auditor already <i>considered</i> [emphasis added] during the audit of the financial statements or review of interim financial information.” The term “considered” is undefined and does not appear in AU-C 725, <i>Supplementary Information in Relation to the Financial Statements as a Whole</i>. It is unclear whether the exclusion in paragraph A7 extends to only SI for which the auditor provided an in-relation-to opinion in its audit report, or SI the auditor disclaimed an opinion on, or SI the auditor was silent about in its audit report because the auditor was not engaged to audit such SI (which would technically be Other Information as defined in AU-C 720). Further, supplementary information is a defined term in AU-C 725; we do not believe the clarifying phrase “other than required supplementary information” is necessary in the proposed SAS.</p> <p>We recommend the ASB revise the term “considered” to align with the auditor’s responsibilities under AU-C 725. Further, we suggest that all references to supplementary information in the proposed SAS be aligned with the existing definitions in AU-C 725.</p>	Yes	<p>Changes suggested, made. See also comments 92, 93 and 94.</p> <p>Par A9</p>
93	EY	8(b)ii - A7	<p>We recommend the following edit for clarity:</p> <p style="padding-left: 40px;">Information does not include the audited financial statements <u>or</u> , interim financial information covered by the auditor’s report</p>	Yes	<p>Changes suggested, made. See also comments 92, 93 and 94.</p> <p>Par A9</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
94	GT	8(b)ii - A7	<p>We believe the wording in this paragraph is slightly confusing and recommend the following edits for clarity.</p> <p style="padding-left: 40px;">Information does not include...or the required supplementary information or <b>other</b> supplementary information <del>other than required supplementary information</del> accompanying those financial statements...</p>	Yes	<p>Changes suggested, made. See also comments 92, 93 and 94.</p> <p>Par A9</p>
95	BDO	8(b)iii & A11 & A12 Comfort letter	<p>We suggest deleting application paragraphs A11 and A12 as it is our understanding that the external legal counsel letters are only applicable in registered offerings subject to Section 11 of the Securities Act.</p> <p>We support retaining the reference to AU-C 920, <i>Letters for Underwriters and Certain Other Requesting Parties</i>, at the end of paragraph A10 as we believe this provides sufficient application guidance to the requirement in paragraph 8(b)iii.</p>	Yes	<p>Changes suggested, not made. See also comments 95, 96, 97, and 98.</p>
96	EY	8(b)iii & A11 & A12 Comfort letter	<p>We recommend removing paragraphs A11 and A12, which provide further guidance about the issuance of a comfort letter. We believe these paragraphs are incomplete and, therefore, could be misunderstood by auditors. We believe auditors should go to AU-C Section 920, <i>Letters for Underwriters and Certain Other Requesting Parties</i>, (as suggested in paragraph A10) to review the comfort letter guidance in its proper context. If the ASB agrees with this change, the reference to paragraph A11 in paragraph A13 will need to be replaced with AU-C section 920.</p>	Yes	<p>Changes suggested, not made. See also comments 95, 96, 97, and 98.</p>
97	D&T	A11	<p>The phrase “modified comfort letter” is not used elsewhere in the proposed SAS, nor in AU-C section 920, <i>Letters for Underwriters and Certain Other Requesting Parties</i> (AU-C section 920); accordingly, D&amp;T recommends that the</p>	Yes	<p>Changes suggested, made.</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>sentence in paragraph A11 be redrafted to reflect the language used in paragraph 12 of AU-C section 920.</p> <p>A11. An auditor may issue a comfort letter that provides negative assurance to a requesting party (as defined in AU-C section 920) only if the requesting party provides the written opinion from external legal counsel or the required representation letter described in AU-C section 920. If the requesting party does not provide the required written opinion from external legal counsel or a representation letter, the auditor may issue a <del>modified</del> comfort letter that does not provide negative assurance, <b>but that instead includes certain statements required by AU-C section 920.</b> [fn 13]</p>		<p>See also comments 95, 96, and 97.</p> <p>Par A14</p>
98	GT	8(b)iii & A12 Comfort letter	<p>In paragraph A12, we recommend the phrase “as defined in AU-C section 920” be in parentheses in order to be consistent with the presentation of proposed paragraph A11.</p>	Yes	<p>Changes suggested, made. See also comments 95, 96, and 98.</p> <p>Par A15</p>
99	EY	8(b)iv & A13 Due Diligence	<p><i>We recommend the following edits for clarity:</i></p> <p>Auditors use professional judgment in determining whether to participate in oral due diligence meetings if the underwriter has not provided the <b>written opinion from external legal counsel</b> or representation letter <b>as</b> described <b>in AU-C Section 920FN</b> paragraph A11 or if external legal counsel has not provided the required written opinion.</p> <p><b><u>FN — 12 Paragraphs .07, .11, and .A92 of AU-C section 920, Letters for Underwriters and Certain Other Requesting Parties</u></b></p>	Yes	<p>Change suggested, made. See also comments 99 and 101.</p> <p>Par A16 and fn</p>

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No.	From	¶ / Topic	Comment	Change?	TF Response
100	D&T	A13 Due Diligence	<p>D&amp;T believes that the nature of the conversations between the underwriters and their counsel and the entity’s auditors is more akin to a discussion (as used in the heading to the paragraph) than an interview; accordingly, we recommend revising the wording in paragraph A13 to reflect this understanding of the due diligence process.</p> <p>A13. As part of their due diligence process on a specific exempt offering, underwriters and their counsel may ask to <del>interview</del><b>meet</b> the entity’s auditors either formally or informally. The meetings at which <del>such interviews</del> <b>the discussions</b> occur are often referred to as oral due diligence meetings. The <del>interview</del><b>discussion</b> typically focuses on the audit engagement, the entity’s financial statements, and the entity’s system of internal controls over financial reporting. Auditors use professional judgment in determining whether to participate in oral due diligence meetings if the underwriter has not provided the representation letter described in paragraph A11 or if external legal counsel has not provided the required written opinion. If the auditor agrees to participate, auditors use professional judgment in determining which questions in an oral due diligence meeting can be addressed.</p>	Yes	Changes suggested, made. See related comments 100 and 104. Par A16
101	BDO	8(b)iv & A13 Due Diligence	<p>Application guidance paragraph A13 explains that</p> <p>‘Auditors use professional judgment in determining whether to participate in oral due diligence meetings if the underwriter has not provided the representation letter <del>described in paragraph A11 or if</del></p>	Yes	Change suggested, made. See also comments 99 and 101. See related comment 95.

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p><del>external legal counsel has not provided the required written opinion.</del></p> <p>We suggest striking the last part of the sentence that states ‘described in paragraph A11 or if external legal counsel has not provided the required written opinion’ from paragraph A13 to align with the revision we suggest to paragraphs A11 and A12. (Comment 95)</p>		Par A16
102	FICPA	8(b)iv Due diligence	<p>We recommend adding to 8(b)iv, discussions with attorneys, potential investors or other third parties.</p> <p>The Committee also recommends including, obtaining knowledge from any interested parties prior to the offering, as an additional trigger.</p>	Yes	Change suggested, not made.
103	BT	8(b)iv & A13 Due Diligence	<p>With respect to participating in due diligence discussions, <b>we believe it may be beneficial to practitioners to include in the Application Guidance, reference to the “Principles for Auditor Participation in Oral Due Diligence Discussions – Issued December 19, 2008,”</b> which were developed by broker dealers and the national accounting firms. These principles include information as to how such oral due diligence should be conducted and provides language that limits risk to the auditors.</p>	Yes	Change suggested, not made.
104	MA	8(b)iv & A13 Due Diligence	<p>Paragraph 8(b)iv describes one of the triggers to involvement as “participating in due diligence discussions...” Paragraph A13 further describes requests by underwriters to interview or otherwise meet with auditors as a part of the due diligence process for an offering, referred to as “oral due diligence meetings”.</p> <p>It is not clear whether paragraph 8(b)iv is limited to oral due diligence meetings, or whether paragraph A13 is simply illuminating one typical format of due diligence. Further, we are concerned that the discussion in A13 does</p>	Yes	<p>Changes suggested, made. See related comments 100 and 104.</p> <p>Par A16</p>

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			<p>not address situations in which underwriters and their counsel, placement agents, broker-dealers, or other financial intermediaries use other forms of communication with auditors, such as electronic mail, to perform their due diligence.</p> <p>We recommend the ASB add discussion in paragraph A13 to note that “participation in due diligence discussions” may take place in a variety of communication methods, and need not necessarily be an oral communication, for the activity to trigger involvement as stated in paragraph 8(b)iv.</p>		
105	D&T	8(b)vi A16, A16X, and A16Y	<p>For reasons articulated in paragraphs 5 and A5 above and because it is also duplicative of application guidance already reflected in the proposed SAS, D&amp;T recommends that the sentence indicating that the <i>inclusion letter</i> would “typically not be included in the offering document” be deleted from paragraph A16.</p> <p>We also believe that the example, which is specific to securities exempt from registration under the Securities Act of 1933, should be reflected as a separate application guidance paragraph (see paragraph A16x) and amended to reflect the actual date of the exempt offering document in which the auditor is agreeing to include the auditor’s report. This is to ensure that the auditor’s report is not unknowingly included in multiple versions of, or amendments to, the exempt offering document over an extended timeframe. The date of the financial statements should be added to the example in paragraph A16x for clarity.</p> <p>Further, we believe an additional example that is relevant to franchise offerings regulated by the FTC should be inserted (see paragraph A16y). This example should include illustrative wording relating to the <i>consent of</i></p>	Yes	<p>Change suggested, made. See related comment 78.</p> <p>Par A19; A20, A21</p>

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			<p><i>accountant or acknowledgement letter</i> that would be required to be included in a Franchise Disclosure Document.</p> <p>A16. When an auditor’s report is used in connection with an exempt offering, it is not usually necessary for the auditor to provide any type of written agreement, but some exceptions exist. If the auditor is asked to provide an inclusion letter, the auditor may provide a letter indicating that the auditor agrees to the inclusion of the auditor’s report in the <b>exempt</b> offering document. <del>This letter would typically not be included in the offering document.</del></p> <p><b><u>A16x.</u></b> The following example language may be used to indicate that the auditor agrees to inclusion <b><u>of the auditor’s report on financial statements in an offering document for which the securities are exempt from registration under the Securities Act of 1933:</u></b></p> <p style="text-align: center;"><b><u>INDEPENDENT AUDITOR’S INCLUSION LETTER</u></b></p> <p style="text-align: center;">We agree to the inclusion [<b><u>incorporation by reference</u></b>] in the [<b><u>Aname of Offering Document</u></b>] <b><u>dated [insert issuance date of Offering Document]</u></b> of our report, dated February 5, 20X3, on our audit of the financial statements of [<b><u>Aname of Entity</u></b>] <b><u>as of December 31, 20x2 [and 20x1] and for the year[s] then ended [for each of the three years in the period ended December 31, 20x2].</u></b></p> <p><b><u>A16y.</u></b> The following example language may be used to indicate the auditor’s acknowledgement to the inclusion of the auditor’s report on financial statements in a franchise offering document:</p> <p style="text-align: center;"><b><u>INDEPENDENT AUDITOR’S ACKNOWLEDGMENT</u></b></p>		

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			<b><u>We agree to the inclusion in the [name of Offering Document, for example the Franchise Disclosure Document] dated [insert issuance date of Offering Document] issued by [Blank Franchisor] (“the “Franchisor”) of our report, dated February 5, 20x3, relating to the financial statements of the Franchisor as of December 31, 20x2 [and 20x1] and for the year[s] then ended [for each of the three years in the period December 31, 20x2].</u></b>		
106	VA	8(b)vii Notion of revised report	We suggest the Board clarify this condition to say, “Signing an updated copy of the auditor’s report for inclusion in the offering document <b><u>when the related financial statements are reissued.</u></b> ”	Yes	Change suggested, not made.
107	GT	8(b)vii Notion of revised report	<p>In reviewing the AICPA Audit and Accounting Guides <i>State and Local Governments</i> and <i>Health Care Entities</i>, we note that the Board did not include “providing a revised independent auditor’s report for inclusion in the offering document.” The referenced Guides provide further explanation that “a revised report would, for example, eliminate the references made by the auditor in the original report to (a) supplementary information that the auditor reported on in relation to the basic financial statements or (b) the audit and reports required by <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States.”</p> <p>It is unclear whether paragraph 8(b)vii of the Proposed SAS is intended to capture the notion of signing revised auditor’s reports considering its inclusion in the referenced Guides. We recommend the Board consider adding this notion either in paragraph 8(b)vii of the Proposed SAS or as clarifying application guidance.</p>	Yes	Agenda Item 3 (Issue IV).
108	NSAA	8(b)(vii) & A17	We believe that “Signing a copy of the auditor’s report for inclusion...” will be confusing to auditors, especially given the language used in paragraphs 8(b)vii	Yes	Agenda Item 3 (Issue IV).

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No.	From	¶ / Topic	Comment	Change?	TF Response
		Updated report	and A17. It is clear to us what is meant in paragraph A17 by an updated auditor's report, and therefore, why this condition would be a trigger. However, paragraph 8(b)vii indicates "signing a copy of the auditor's report" is a trigger and paragraph A17 indicates, "Providing a copy of the auditor's report with an original manual or electronic signature" is not a trigger.  The distinction of the difference here is lost, and therefore, we believe may be misapplied in practice. Accordingly, we request the Board revise paragraph 8(b)vii and/or provide better clarity or examples in paragraph A17 so that this confusion will be removed.		
109	EY	8(b)(vii) & A17 Updated report	In addition, we recommend the following edit to paragraph A17:  Signing an updated auditor's report when, for example, the financial statements are <b>revised</b> <del>restated</del> <del>does</del> constitutes a signing of the auditor's report.  We believe an auditor would sign an updated auditor's report any time the entity's financial statements are revised (e.g., due to a change in accounting principle, a change in reportable segments, a discontinued operation). We believe "restated" is generally thought of in the context of an error. We recommend using the term "revised" to capture more transactions.	Yes	Agenda Item 3 (Issue IV)
110	PwC	8(b)(vii) & A17 Updated report	The discussion in paragraph A17 does not provide a clear message with respect to situations where providing an original or manual signature in connection with a specific offering document would constitute involvement. We are concerned that, unless this guidance is clarified, practitioners will interpret it in different ways. If the auditor's report has not changed but a signature is needed, we believe this would not be involvement. However, if the auditor's report has changed in any way then we believe it would be	Yes	Agenda Item 3 (Issue IV)

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			considered involvement, as the changes in the auditor’s report are in response to the offering document. As a result, we recommend the paragraph be updated to reflect this intent.		
111	D&T	8(b)(vii) & A17 Updated report	<p>D&amp;T concurs that when the auditor “signs” the auditor’s report knowing that the entity intends to include it in an exempt offering document, as contemplated in paragraph 8(b) vii, then the auditor is required to perform the procedures in paragraphs 10-17. However, we believe that it would be beneficial to provide the auditor with additional examples as to what constitutes the “signing of a copy of the auditor’s report” as stated in paragraph 8(b) vii. An additional example which we believe does <u>not</u> constitute the signing of the auditor’s report may include a situation where a “short-form” auditor’s report is issued to be used in the exempt offering document (subsequent to a full-length auditor’s report being issued relating to the comprehensive annual financial statements).</p> <p>We recommend that the wording of paragraph A17 be amended to reflect our views as noted below.</p> <p>A17. Signing the auditor’s report involves an original manual or electronic signature on the auditor’s report, not a reproduction of an auditor’s report that was previously manually or electronically signed. For example:</p> <ul style="list-style-type: none"> <li>• <del>o</del> Providing a copy of <b>a previously signed</b> the auditor’s report, with an original <b>regardless of whether the signature was</b> manual or electronic, signature at the underwriter or bond counsel’s request to file with the official closing documents, <b>which include the original financial statements as they existed at the time the auditor’s report was first issued</b>, for the offering does not constitute a <b>the</b> signing of the auditor’s report.</li> </ul>	Yes	Agenda Item 3 (Issue IV)

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<ul style="list-style-type: none"> <li>• <b><u>Issuing an auditor’s report relating to the original financial statements, when a previously issued auditor’s report has already been provided on the comprehensive annual financial statements, (the auditor’s report on the comprehensive financial statements may have included additional paragraphs pertaining to, for example, the combining schedules and other statistical information), does not constitute the signing of the auditor’s report.</u></b></li> <li>• Signing an updated auditor’s report when, for example, the financial statements are restated <b><u>revised</u></b> does constitute a signing of the auditor’s report. <b><u>Examples of when financial statements may be revised include:</u></b> <ul style="list-style-type: none"> <li>○ <b><u>The occurrence of a subsequent event requiring disclosure in the financial statements</u></b></li> <li>○ <b><u>A change in accounting principle resulting in a retrospective change to previously issued financial statements</u></b></li> <li>○ <b><u>A correction of an error.</u></b></li> </ul> </li> </ul>		
112	VSCPA	8(b)(vii) & A17 Updated report	We believe paragraph 8(b)vii and A17 should be revised to clarify the trigger’s intended purpose, which we believe is intended to address when an auditor signs an updated copy of the auditor’s report for inclusion in the offering document when the related financial statements are restated.	Yes	Agenda Item 3 (Issue IV)
113	PBTK	8(b)(vii) & A17 Define Reissuance	Authoritative support for the common general practice by amending that auditing standards to supplement the report dating provision of AU-C sec 700.41 together with a clear definition of reissuance and that a contradictory requirement, if any , to be applicable to exempt offerings pursuant to a final version of the proposed SAS should be clearly characterized as an exception thereto. (AU sec 530.06-.08)	Yes	Changes suggested, not made  <div style="background-color: #90EE90; padding: 2px;">Agenda Item 3 (Issue IV)</div>

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No.	From	¶ / Topic	Comment	Change?	TF Response
114	PCPS	8(b)(vii) Master Glossary	The Master Glossary of the clarified auditing standards and AU-C 560 should include a definition of the concept of reissuance of an auditor's report.	Yes	Changes suggested, not made <b>Agenda Item 3 (Issue IV)</b>
115	GT	8(b)(vii) & A17 Updated report	As noted in the comments in the body of our letter, it is unclear whether this trigger includes signing a revised auditor's report, and we recommend this be clarified through revising the requirement or adding application guidance.	Yes	<b>Agenda Item 3 (Issue X)</b>
116	D&T	8(b)(vii) & A17 Updated report from a Sub Event	Consideration should, however, be given to providing additional application guidance in paragraph A17 of the proposed SAS pertaining to situations where a subsequent event has occurred that has implications to the financial statements that need to be addressed retrospectively.  D&T believes that after consideration of the facts and circumstances it may be appropriate to revise the annual financial statements that are included in the exempt offering document if interim financial statements have been issued that reflect the change. Examples of these situations may include when the entity has issued interim financial statements and has either adopted a new accounting principle that is being applied on a retrospective basis, or a discontinued operation that has occurred in an interim period subsequent to the previously audited financial statements.	Yes	<b>Agenda Item 3 (Issue X)</b>
117	D&T	Paragraphs 8x (inserted between paragraphs 8 and 9) and A6	For reasons expressed above in our response to issue 2, we believe that language should be inserted into the proposed SAS alerting the auditor as to the responsibility the auditor owes to the investees and franchisees to consider performing procedures on the other information included in the exempt offering document as well as procedures related to subsequent events when the auditor becomes aware of an exempt offering and there is no	Yes	Change suggested, not made. <b>Agenda Item 3 (Issue II)</b>

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>triggering event that would otherwise cause the auditor to be involved. We also believe that application guidance in paragraph A6 should be moved and cross-referenced to the proposed paragraph 8x, as it provides additional clarity as to our view. Our recommendations are as follows:</p> <p style="padding-left: 40px;"><b><u>8x. When the auditor otherwise becomes aware that the auditor’s report, and the related financial statements, are to be included in an exempt offering document, and the auditor is not involved with the exempt offering document, the auditor should consider performing the procedures in paragraphs 10-17. (Ref: par. A6)</u></b></p> <p>A6. Auditors may become aware of an offering through a communication from an entity or through the receipt of a draft <b><u>exempt</u></b> offering document from an underwriter, placement agent, broker-dealer, or the entity. Awareness of an offering does not constitute involvement unless the auditor performs one or more of the activities in paragraph 8(b). <b><u>In considering whether to perform the procedures in paragraphs 10-17 when the auditor is not otherwise involved with the exempt offering, the auditor may consider, where appropriate, obtaining legal advice.</u></b></p> <p><i>See also Comments 6 &amp; 40.</i></p>		

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No.	From	¶ / Topic	Comment	Change?	TF Response
118	EY	9 Timing of Procedures	<p>Paragraph 9 states</p> <p style="padding-left: 40px;">“[w]hen an auditor is involved with an offering document, the auditor should perform the procedures in paragraphs 10–17 at or shortly before the date of distribution, circulation or submission of the offering document, and as appropriate upon any subsequent distribution, circulation or submission of the offering document.”</p> <p>Based on current industry practice, we believe the term “shortly” means days (e.g., five days) rather than weeks, but the term is open to interpretation. We therefore recommend that the ASB add application guidance to clarify the time period in which the auditor should perform the required procedures.</p>	Yes	Change suggested, not made.
119	TN	9	The guidance might need to clarify that this subsequent events assessment time period is likely to extend beyond the assessment performed as part of the audit of the financial statements.	Yes	Change suggested, not made.
120	BDO	9 Timing of procedures (as appropriate)	<p>Paragraph 9 explains that when the auditor is involved with the offering document, the auditor should perform certain procedures at or shortly before the date of distribution, circulation, or submission of the offering document, <i>and as appropriate</i> [emphasis added], upon any subsequent distribution, circulation or submission of the offering document. However, it is unclear how the auditor is expected to determine the appropriate procedures to be performed on subsequent iterations of the exempt offering based on the phrase ‘as appropriate.’ <b>We suggest providing an example of how the requirement in paragraph 9 is expected to be implemented.</b></p>	Yes	Change suggested, not made.

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No.	From	¶ / Topic	Comment	Change?	TF Response
121	PBTK	10 & 11 OI	Auditor's requirement to perform AUC sec 720.06-.08 (described in par .10-.11 of ED) is precipitated by the risk management driven language in 720.04 (similar to par .4 of ED). However, in the case of securities offerings, additional procedures described in par 12-17 are warranted by the risk considerations.	No	Agree, no change necessary.
122	BDO	11	To clarify its meaning, we believe paragraph 11 should be revised as:  When performing the procedures required by paragraph 10, the auditor should determine that the auditor's name is <b>used in a manner consistent with the procedures performed and responsibility being assumed</b> not being used in a way that indicates that the auditor's responsibility is greater than the auditor intends.	Yes	Change suggested, not made.
123	NSAA	11	Given some of our member's experiences, we agree with the inclusion of the guidance in this paragraph, suggesting that when involved, an auditor should determine if an offering document overstates his responsibilities.	No	Agree, no change necessary.
124	D&T	11 & A21	D&T believes that the illustrative example should be amended to <b>address the possibility that comparative financial statements may be presented</b> .  In addition, when the auditor is not involved in the offering document, and the terms of the engagement require disclosure of this fact by the entity in the offering document, the onus is not on the auditor to consider whether or not to include the illustrative language similar to that in paragraph A3. This would be a contractual obligation that the entity would need to fulfill. We do not	Yes	Changes to A26 to delete A3 reference not made.  Changes to A26 for comparative language made (to reflect 2 years) made.

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			<p>believe that the professional standards can set requirements or provide application guidance for the entity, and as such <b>we recommend the deletion of the sentence that references paragraph A3.</b></p> <p>A21. The following is an example of a typical description of the auditor’s role when an entity wishes to make reference to the auditor in an exempt offering:</p> <p style="text-align: center;">Independent Auditors</p> <p style="text-align: center;">The financial statements of [<del>A</del><i>name of Entity</i>] X as of December 31, 20X2 <b>[and 20x1]</b> and for the year[s] then ended <b>[for each of the three years in the period ended December 31, 20x2]</b>, included in this offering document, have been audited by [<del>A</del><i>name of Firm</i>], independent auditors, as stated in their report appearing herein.</p> <p><del>If the auditor is not involved with the offering document and the terms of the engagement require disclosure of this fact, additional disclosure similar to that illustrated in paragraph A3 may be considered.</del></p>		
125	D&T	11 & A21 - edit	<p>We noted a minor editorial error that needs correction in paragraph A21 (deletion of a superfluous character – “X”).</p> <p>A21. The following is an example of a typical description of the auditor’s role when an entity wishes to make reference to the auditor in an exempt offering:</p> <p style="text-align: center;">Independent Auditors</p> <p>The financial statements of [<i>Name of Entity</i>] ✕ as of December 31, 20X2 ...</p>	Yes	Change suggested, made. Par A25

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126	GT	A22	We are concerned that practitioners may not understand what “an evaluation of liabilities the auditor may be assuming” refers to. We recommend either clarifying this phrase by better defining “the liabilities the auditor may be assuming” or deleting the phrase.	Yes	Change suggested, not made.
127	D&T	12 (fn 2)	We noted that a reference to “AU-C” was inadvertently omitted in fn 2.  Footnote 2: Paragraphs .09-.10 of <b>AU-C</b> section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>	Yes	Change suggested, not made. Deleted fn 2
128	BDO	12 (fn 2)	Footnote 2 to paragraph 12 refers to AU-C 560, <i>Subsequent Events and Subsequently Discovered Facts</i> , paragraphs .09-.10. However, the guidance that relates to paragraph 12(b) appears to be derived from AU-C 560 paragraph 13(b) and, as such, we suggest including this additional reference in the footnote.	Yes	Change suggested, made. Deleted fn 2
129	D&T	12	D&T recommends that there be an alignment between the minutes of those being read for the subsequent event procedures in paragraph 12(a) iii, and the minutes being referred to when obtaining the updated written representations in paragraph 12(b) iii.  We also recommend that the language in paragraph 12(b) iii be consistent with certain of the application guidance in paragraph A9 of AU-C section 580, <i>Written Representations</i> . Further, we recommend adding a requirement for a written representation regarding communications from regulatory agencies as described in paragraph A9 of AU-C section 580. We believe that the phrase “entity’s owner” may be more appropriate than “shareholder,” given that the scope of the proposed SAS encompasses	Yes	Changes suggested, made 12(b)iii

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			<p>franchise offerings (and franchisees are neither stockholders nor shareholders) and, accordingly, we have included such language in our proposed edits.</p> <p>12. When the auditor is involved with an <b>exempt</b> offering document, the auditor should perform the following procedures described in AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>:</p> <p style="padding-left: 40px;"><i>a.</i> ...</p> <p style="padding-left: 80px;">iii. Reading minutes, if any, of the meetings of the entity's owners, management, and those charged with governance that have been held after the date of the financial statements and inquiring about matters discussed at any such meetings for which minutes are not yet available</p> <p style="padding-left: 40px;"><i>b.</i> ...</p> <p style="padding-left: 80px;">iii. That minutes of the meetings, <b><u>or summaries of actions of recent meetings for which minutes have not yet been prepared,</u></b> of shareholders, directors, and committees of directors <b><u>the entity's owners, management, and those charged with governance</u></b> are complete and authentic records of proceedings at all such meetings held since previous representations were provided (Ref: par. A24-A26)</p> <p><b><u>iv. That communications received from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices since previous representations were provided</u></b></p>		

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130	NSAA	12 & A26	<p>We appreciate the guidance included in this paragraph, but the specific example given of a component unit guaranteeing a government’s debt is not a common circumstance. In fact, we believe the example detracts from the primary point of the paragraph’s guidance, which is to describe the scope of the auditor’s subsequent events procedures. Therefore, we suggest deleting the example altogether, as well as making some minor revisions to this paragraph (bold language added):</p> <p style="padding-left: 40px;">“In determining the extent of procedures to perform in connection with a governmental debt offering, the auditor may consider the structure of the government and which <b>funds or</b> component units relate to the debt offering. If the debt is offered <b>solely</b> by a particular component unit, the scope of subsequent event procedures would likely be limited to the applicable component unit responsible for the repayment of the debt. However, if the full set of financial statements for the reporting entity were included, the scope of subsequent event procedures would likely also encompass the primary government.”</p>	Yes	Change suggested, not made.
131	D&T	12 & A26	<p>When considering the structure of the government and the relevant component units in determining the extent of procedures to perform, we believe that similar considerations should be extended when determining which component units may provide additional management representations as highlighted in paragraph 12. The following edit is recommended to provide further clarity.</p> <p style="padding-left: 40px;">A26. In determining the extent of procedures to perform in connection with a governmental debt offering, <b>and the related additional management representations to request</b>, the auditor may consider the structure of the government and which component units</p>	Yes	Change suggested, made Par A32

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			relate to the debt offering. A component unit not guaranteeing the repayment is ordinarily not a relevant entity to the users of the debt offering. Alternatively, if the debt is offered by a particular component unit, the scope of subsequent event procedures would likely be limited to the applicable component unit responsible for the repayment of the debt. However, if the full set of financial statements for the reporting entity were included, the scope of subsequent event procedures would likely also encompass the primary government.		
132	TN	12 & .A26	<p>For ¶A26, when financial guarantees occur, the component unit generally is the beneficiary of the financial guarantee, rather than the guarantor. Primary governments generally provide the financial guarantees. For example, a school district may receive a financial guarantee from a state government for the district's debt service payments on construction bonds it has issued without providing consideration to the state government. We suggest the following amendment:</p> <p style="padding-left: 40px;">“An entity not guaranteeing the repayment is ordinarily not a relevant entity to the users of the debt offering.”</p> <p>This provides clarity and flexibility for practitioner interpretation when the component unit is not a guarantor. We also suggest that the guidance might need to address consideration when the component unit involved with the offering is the beneficiary, not the guarantor, of the financial guarantee. This situation could also have a material impact on the financial statements.</p>	Yes	Changes suggested, not made.
133	EY	12(a)	However, paragraph 12(a) provides a different time period for “subsequent events” than the time period in the definition of subsequent events in AU-C Section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> . Further,	Yes	Change suggested, not made.

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No.	From	¶ / Topic	Comment	Change?	TF Response
			paragraph 16 uses the term “subsequently discovered facts” without providing a time period over which a subsequently discovered fact may occur. We believe it would be inappropriate to use the period of time in the definition of subsequently discovered facts in AU-C 560. We therefore recommend that the ASB provide definitions of “subsequent events” and “subsequently discovered facts” in any final SAS.		
134	GT	12(b)iii	We question the meaning and use of the phrase “authentic records” in the context of this requirement and recommend the Board consider using language more closely aligned with paragraph 10c of AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> .	Yes	Change suggested, made Par 12(b)iii
135	GT	13(b)	We feel that the purpose of this requirement is not clear and may be unnecessary. We believe that the requirement to read the subsequent period’s financial statements as set forth in paragraph 13a would be sufficient for the predecessor auditor’s purpose of identifying matters that may have a bearing on their report.	Yes	Change suggested, not made.
136	GT	13(c) & 14	According to PCAOB AS 4101, <i>Responsibilities Regarding Filings Under Federal Securities Statutes</i> , there is no requirement for the predecessor auditor to obtain a management representation letter, and we see no reason why the requirements of this Proposed SAS should go beyond what is required of predecessor auditors in other offering scenarios. Therefore, we recommend removing this requirement from paragraphs 13c and 14.	Yes	Change suggested, not made.
137	EY	13(c)	We also recommend the following edits to align the guidance in paragraph 13c with the guidance in paragraph 19c of AU-C Section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> .	Yes	Change suggested, made Par 13(c) i and ii

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>c. <b><u>Inquire of and request</u></b> Obtaining written representations from management <b><u>of the former client, at or near the date of reissuance, about whether</u></b></p> <p style="padding-left: 40px;"><b><u>i. any information has come to management's attention that would cause management to believe that any of the previous representations should be modified</u></b></p> <p style="padding-left: 40px;"><b><u>ii. any events have occurred subsequent to the date of the latest prior period financial statements reported on by the predecessor auditor that would require adjustment to, or disclosure in, those financial statements</u></b></p>		
138	D&T	14	<p>D&amp;T believes that the following edits to the paragraph will enhance the clarity of the requirement.</p> <p>14. When the <b><u>predecessor</u></b> auditor of an acquired entity is involved with the <b><u>exempt</u></b> offering document and (a) the acquirer's audited financial statements included in the <b><u>exempt</u></b> offering document reflect a period that includes the date of acquisition and <del>(b) the auditor is not the continuing auditor of the acquiring entity,</del> the <b><u>predecessor</u></b> auditor may be unable to perform all of the procedures in paragraph 12 of this SAS. In such circumstances, the auditor should obtain written representations from management <b><u>of the former client, and a representation letter from</u></b> the successor auditor as described in AU-C section 560.</p>	Yes	Change suggested, made. See comments 138 and 139 Par 14
139	EY	14	We recommend the following edits for clarity:	Yes	Change suggested, made. See comments 138 and 139 Par 14

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No.	From	¶ / Topic	Comment	Change?	TF Response
			(b) the auditor <b>of the acquired entity</b> is not the continuing auditor of the acquiring entity, the auditor may be unable to perform all of the procedures in paragraph 12 of this SAS.		
140	MT	Communicating extent of involvement	It is unclear how, or whether, the auditor or entity is expected to communicate the extent of the auditor's involvement when the auditor's report is incorporated by reference and the auditor conducts the activities identified in paragraph 8(b)i, ii, and iv, as those activities do not involve inclusion of the auditor's report in the offering document. In addition, paragraphs 14 – 17 do not provide auditors conducting those activities a mechanism for addressing subsequent events requiring adjustment of, or disclosure in, the audited financial statements. As such, readers of the offering document may not be adequately notified the entity's financial position has changed.	No	Noted
141	PBTK	other	Final SAS should contain a paragraph stating that when there is association, the auditor should consider whether the offering meets the audit firm's risk-based criteria that would require the audit to undergo an engagement quality control review pursuant to QC secs, 10.38-.45.	Yes	Change suggested, not made
142	D&T	A3 - edit	We believe that there has been an inadvertent omission of a comma in the application guidance paragraph.  A3. The auditor may include in the terms of the engagement a provision that any offering document issued by the entity with which the auditor is not involved, other than as determined by paragraph 8, clearly indicates the auditor is not involved with the contents of such offering document. An example disclosure related to an exempt offering document may read as follows: ...	Yes	Change suggested, made A3

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No.	From	¶ / Topic	Comment	Change?	TF Response
143	EY	Heading preceding A9	We recommend the following edits to conform the language to paragraph 8(b)ii:  Reading <b>a draft of</b> the <b>Exempt</b> Offering Document (Ref: par. 8(b)ii)	Yes	Change suggested, made Header to A12
144	D&T	A13 – edit Terminology Internal control	We noted a minor edit as it relates to the phrase “internal control over financial reporting” to ensure consistency with how the phrase is used elsewhere in the professional literature.  A13. As part of their due diligence process on a specific exempt offering, underwriters and their counsel may ask to interview the entity’s auditors either formally or informally. The meetings at which such interviews occur are often referred to as oral due diligence meetings. The interview typically focuses on the audit engagement, the entity’s financial statements, and the entity’s system of internal controls over financial reporting...	Yes	Change suggested, made Par A16
145	PwC	A13-edit Terminology Internal control	In the third sentence of paragraph A13, we recommend making the word ‘controls’ singular in the phrase “...and the entity’s system of internal controls over financial reporting.”	Yes	Change suggested, made Par A16
146	GT	A13 - edit	We recommend the following edits to better link proposed paragraph A11 to both the underwriter’s representation letter and external legal counsel’s written opinion.  Auditors use professional judgment...if the underwriter has not provided the representation letter described in paragraph A11 or if	Yes	Addressed through comments 100 & 104

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No.	From	¶ / Topic	Comment	Change?	TF Response
			external legal counsel has not provided the required written opinion <b>as described in paragraph A11.</b>		
147	EY	A16 -Edit	The language below implies that paragraphs 19-20 of exhibit A, "Background," of AU-C Section 925 will describe the exceptions, which it does not. Therefore, we recommend deleting this language.  When an auditor's report is used in connection with an exempt offering, it is not usually necessary for the auditor to provide any type of written agreement, <del>but some exceptions exist.</del>	Yes	Change suggested, made Par A19
148	D&T	A18 - edits	We believe that minor edits should be made to paragraph A18 to improve the readability of the application guidance and to ensure the consistent use of the defined term "exempt offering document".  A18. As discussed in paragraph A4, exempt offerings <del>often</del> <b>may</b> have multiple stages. Thus, a single offering could involve multiple applications of this SAS. Requesting management to keep the auditor advised of the progress of the preparation of the <b>exempt</b> offering document proceedings through the final distribution, circulation, or submission of the final <b>exempt</b> offering document is important so that the auditor's consideration of events occurring after the date of the auditor's report up to the distribution, circulation, or submission of the final <b>exempt</b> offering document can be completed.	Yes	Change suggested, made Par A23
149	NASBA	A23 Office of Thrift Supervision	It is our understanding that the Office of Thrift Supervision (OTS) was merged into the Office of the Comptroller of Currency (OCC) as a result of the Dodd-Frank Act. You may want to consider changing the reference to OTS to OCC.	Yes	Change suggested, made Par A28

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No.	From	¶ / Topic	Comment	Change?	TF Response
150	EY	A23 Office of Thrift Supervision	The Office of Thrift Supervision was merged into the Office of the Comptroller of the Currency in 2011. Therefore, this paragraph should be updated to refer to the proper agency or department.	Yes	Change suggested, made Par A28
151	MA	A23 Office of Thrift Supervision	Paragraph A23 describes certain offerings within the jurisdiction of the Office of Thrift Supervision (OTS). Paragraph 1(i) of Appendix A also describes the OTS as a regulator of securities. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Office of Thrift Supervision was dissolved July 2011 and merged with the Office of the Comptroller of Currency and other federal agencies.  We recommend the ASB amend the proposed SAS to replace the references to the OTS with the Office of the Comptroller of the Currency (OCC).	Yes	Change suggested, made Par A28
152	D&T	A23 Office of Thrift Supervision	The Office of Thrift Supervision is no longer in existence, having been merged with the Office of the Comptroller of the Currency (OCC) on July 21, 2011. We recommend that paragraph A23 be amended accordingly. We also recommend that the AICPA clarify that the exempt offering documents subject to the jurisdiction of the OCC, as contemplated in paragraph A23, continue to refer to auditors as “experts.” We also recommend that, where appropriate, the auditor consider seeking legal advice when the auditor is being named as an expert.  A23. In situations in which the term <i>expert</i> is sufficiently defined the auditor may agree to be referred to as an expert outside the context of a registration statement filed under the Securities Act of 1933, as amended. For example, if the term <i>expert</i> is defined under applicable state law, the auditor may agree to be named as an expert in an <b>exempt</b> offering document in an intrastate offering. The auditor may	Yes	Change suggested, made Par A28

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No.	From	¶ / Topic	Comment	Change?	TF Response
			<p>also agree to be named as an expert, as that term is used by the Office of <b>the Comptroller of the Currency (OCC)</b> Thrift Supervision (OTS), in <b>exempt</b> offering documents that are subject to the jurisdiction of the <b>OTS/OCC</b>. An understanding of any auditor liability provisions that may be included in the applicable federal or state statutes is an important consideration. <b><u>In such circumstances, the auditor may consider it appropriate to obtain legal advice.</u></b></p>		
153	PCPS	560 Amendment	<p>TIC was confused by some of the proposed amendments to AU-C 560, which are discussed on page 23 of the ED. It is unclear whether paragraph A28 in AU-C 560 is being eliminated since the paragraph is not presented in the ED with strikethrough text. However, new footnote 4 to AU-C 560.12 effectively revises existing paragraph A28 and adds an additional reference to what will be AU-C 945, <i>Auditor Involvement With Exempt Offering Documents</i>. TIC did not understand why the Board would move the application guidance from paragraph A28 to a footnote to paragraph 12, which is under the heading for “Subsequently Discovered Facts That Became Known to the Auditor Before the Report Release Date.” The auditor’s responsibilities for exempt offering documents could come into play either before or after the report release date on the original financial statements of the entity but are more likely to occur after the report release date.</p> <p>Although the guidance in footnote 4 could be repeated in the section entitled “Subsequently Discovered Facts That Become Known to the Auditor After the Report Release Date,” TIC believes this would not be the best solution. TIC recommends expanding the application guidance that is already presented in paragraph .A1 of AU-C 560 to provide the appropriate references to AU-C 925 and AU-C 945, respectively, and to explain that there are circumstances when the auditor’s responsibilities are extended beyond the report date. As</p>	Yes	Changes suggested, made  Par A34

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			mentioned above, AU-C 560 also should be amended to define what it means to reissue financial statements and the auditor's report thereon.		
154	EY	Explanatory Memorandum — Background	<p>We recommend the following edit to clarify that there are certain exempt offerings that are regulated by the SEC:</p> <p>The U.S. <b>Securities and Exchange Commission (SEC)</b> cannot often does not directly regulate such offerings, so there is no may not be a requirement by the SEC for auditor involvement with exempt offerings.<sup>1</sup></p> <p><sup>1</sup>There are exceptions where the SEC may require auditor involvement in certain exempt offerings. For example, Regulation A may require consent from the auditor for use of the auditor's report in connection with amended financial statements that are included in the offering document.</p>	Yes	N/A – Just in ED
155	EY	AT-C Changes	Update for Clarified Attest Standards	Yes	Change suggested, made Par 8(b)iii; 8(b)v; .A14
156	D&T	AT-C Changes 8	<p>D&amp;T has also noted some inconsistencies in the use of phrases between the proposed SAS and the clarified Attestation Standards, and within certain of the sub-bullets of paragraph 8 and other paragraphs of the proposed SAS. To address these points, we recommend the following edits be made to paragraph 8 as well as adding an application guidance paragraph (paragraph A5y) to the proposed SAS immediately below the heading "Involvement":</p> <p>8. The auditor should apply the requirements of this SAS in connection with an exempt offering when both of the following conditions exist:</p> <p style="padding-left: 40px;"><i>a.</i> The auditor's report is included <b>or incorporated by reference</b> in the exempt offering document. (Ref: par. A5y)</p>	Yes	Change suggested, made Par 8(b)iii; 8(b)v; .A14

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			<p><i>b. ...</i></p> <p>iii. Issuing a comfort or similar letter in accordance with AU-C section 920, <i>Letters for Underwriters and Certain Other Requesting Parties</i>, or <del>an attestation engagement</del> <b>a practitioner’s report on an attestation engagement</b> in lieu of a comfort or similar letter on information included in the <b>exempt</b> offering document (Ref: par. A10 – A12)</p> <p>iv. ...</p> <p>v. Issuing <del>an attestation</del> <b>a practitioner’s report on an attestation engagement</b> on information relating to the offering (Ref: par. A14 – A15) ...</p>		
157	EY	AT-C Changes A14	<p>The example procedures in this paragraph appear to be agreed-upon procedures. Pursuant to AT-C 215, <i>Agreed-Upon Procedures Engagements</i>, “verify” is a term that is generally not acceptable. Therefore, we recommend replacing this term with recompute.</p> <p>For example, in a debt offering, management or its legal advisors may engage a practitioner to perform procedures on the entity’s compliance with the revenue coverage requirements on outstanding debt securities or to <del>verify</del> <b>recompute</b> the calculation of escrow account requirements for an advance refunding of debt securities.</p>	Yes	Change suggested, made A17
158	D&T	AT-C Changes A14	<p>The example given in paragraph A14 relating to the calculation of escrow account requirements for an advance refunding of debt securities uses language that is not acceptable when performing an agreed-upon procedures engagement in accordance with paragraph A21 of AT-C section 215, <i>Agreed-Upon Procedures Engagements</i>. We recommend the following edit be made to</p>	Yes	Change suggested, made See 157 (A17)

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			<p>address the ambiguity of the word “verify” and to conform report language as we discussed in our comments related to paragraph 8.</p> <p>A14. During the offering process, management or other involved parties may engage practitioners to perform an attestation engagement related to the offering. For example, in a debt offering, management or its legal advisors may engage a practitioner to perform procedures on the entity’s compliance with the revenue coverage requirements on outstanding debt securities or to <del>verify</del><u>check the mathematical accuracy of</u> the calculation of escrow account requirements for an advance refunding of debt securities. If the auditor whose report accompanies the financial statements included in the <b>exempt</b> offering document also provides a <b>practitioner’s report on an</b> attestation engagement <del>report</del> relating to that <b>exempt</b> offering, the auditor is deemed to be involved. If the practitioner engaged to perform the attestation engagement is not the financial statement auditor, the practitioner engaged to perform the attestation engagement is not deemed to be involved with the <b>exempt</b> offering document in the manner discussed in this proposed SAS.</p>		
159	D&T	AT-C Changes A14 & A15	We also recommend that the phrase “an attestation engagement report” in paragraphs A14 and A15 be revised to read “a practitioner’s report on an attestation engagement” for consistency with the attestation standards.	Yes	Change suggested, made A17 and A18
160	D&T	Terminology: Exempt Offering Document vs.	D&T notes that “exempt offering document” is a defined term in the proposed SAS; therefore, the use of the abbreviated phrase “offering document” should not be used and rather “exempt offering document” should be used consistently throughout the proposed SAS.	Yes	Change suggested, made A5

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		Offering Document	<p>We also believe that offering document, first mentioned in paragraph 1, may also be referred to as an offering statement or an offering circular. Accordingly, we recommend that language to that effect be added to the proposed SAS as the first application guidance paragraph under the Application and Other Explanatory Material section.</p> <p style="text-align: center;"><b>Ax. An exempt offering document may also be referred to as an offering statement or an offering circular.</b></p>		
161	EY	Terminology: Exempt Offering Document vs. Offering Document	<p>We recommend replacing “offering document” with “exempt offering document” throughout the proposal to make it clear that the offering document relates to an exempt offering.</p>	Yes	Change suggested, made Throughout
162	MA	Terminology: Exempt Offering Document vs. Offering Document	<p>While paragraph 5 of the proposed SAS defines the term “exempt offering document”, the phrase “offering document” is used throughout the document instead. The full defined term “exempt offering document” should be used consistently throughout the proposed SAS.</p> <p>In addition, many terms might be used to describe an exempt offering document, such as offering circular, offering memorandum, or offering statement. To drive better understanding by all auditors, we suggest that the Application and Explanatory Material be updated to include this explanation.</p>	Yes	Change suggested, made A5 and throughout
163	BT	Appendix A	<p>We also note the requirement for a Uniform Franchise Disclosure Document (“FDD”) in all 50 states. <u>Referencing this document in the application materials with specific guidance to read the document, applying AU-C 720, would be beneficial.</u></p>	Yes	Change suggested, not made

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164	D&T	Appendix A Par 1	We believe that it may be beneficial to clarify that the example listed in paragraph 1(c) iii relating to Regulation A applies to both Tier 1 and 2 offerings.	Yes	Change suggested, not made
165	PwC	Redundancies Edits to AU-C 925	In AU-C section 925, Exhibit A discusses two matters pertaining to offerings other than Securities Act of 1933 registration statements: references to the auditor as an expert (par. 16-18); and letters similar to consents (par. 19-20). Similarly, Exhibit B contains two illustrations related to exempt offerings. For the most part, this guidance is either replicated or referenced in the Proposed SAS. Accordingly, we recommend all guidance related to exempt offerings be deleted from AU-C section 925 and instead be included in the Proposed SAS.	Yes	Change suggested, made A35
166	TIC	Continuing Disclosures	<p>TIC recommends that the Board also consider incorporating into the standard, as considerations specific to governmental entities, the following two paragraphs of guidance currently found in Chapter 17 of the Audit and Accounting Guide titled <i>State and Local Governments</i>, paragraphs 9 and 12, as discussed further below.</p> <p>Paragraph 9 of that guide states that:</p> <p style="padding-left: 40px;">The auditor is not required to participate in, or undertake any procedures with respect to, a government’s continuing disclosure documents, even though they may include audited financial statements because a government’s continuing disclosures are not required to be submitted to or disseminated from the distributing organizations as a single document. Any attention the auditor devotes to other information included with audited financial statements in continuing disclosure documents at the government’s request may be considered, as appropriate, a consulting engagement under the</p>	Yes	Changes suggested, not made

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			<p>provisions of the AICPA Statement on Standards for Consulting Services No. 1, <i>Consulting Services: Definitions and Standards</i> (AICPA, <i>Professional Standards</i>, CS sec. 100), or an attestation engagement under the provisions of the AICPA Statements on Standards for Attestation Engagements (AICPA, <i>Professional Standards</i>).</p> <p>TIC suggests adding this paragraph to the final standard to make clear that the standard does not imply that the auditor is required to participate in continuing disclosure documents, but rather only when the triggers to involvement are present. This might be included in either the "Scope" section of the final standard or perhaps in the application material to that section. TIC would also suggest perhaps defining the term "continuing disclosure document" if this paragraph does get added to the final standard.</p>		
167	TIC	Best Practice – Reports referencing GAGAS	<p>Paragraph 12 of the SLG guide states that:</p> <p style="padding-left: 40px;">If the auditor is involved with a government's official statements, the auditor should consider which auditor's reports the government presents in the official statement. It is generally advisable for the official statements to use an auditor's report on the financial statements that does not refer to the <i>Government Auditing Standards</i> audit or to those separate reports because those references, without the presentation of the reports in the official statements, could confuse the users of the official statement.</p> <p>TIC would suggest adding this best practice to the implementation guidance, perhaps as a new section between paragraphs .A17 and .A18 of the proposed standard, revised as necessary for clarity conventions.</p>	Yes	Changes suggested, not made