2025 Inspection Rose, Snyder & Jacobs LLP

(Headquartered in Encino, California)

June 11, 2026

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PCAOB

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2025 INSPECTION

In the 2025 inspection of Rose, Snyder & Jacobs LLP, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review two audits of issuers with fiscal years ending in 2024. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2025 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2025 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2025 inspection as well as data from the previous inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2025	2023
Firm data		
Total issuer audit clients in which the firm was the lead/principal auditor	7	6
Total engagement partners on issuer audit work[1]	3	3
Audits reviewed		
Total audits reviewed	2	2
Audits in which the firm was the lead/principal auditor	2	2
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1	0
Audits with Part I.A deficiencies	1	2
Percentage of audits with Part I.A deficiencies	50%	100%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) during the twelve-month period preceding the outset of the inspection.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2025 inspection and the previous inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2025		2023	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Revenue and related accounts	2	**Revenue and related accounts**	2
Business combinations	1	**Equity and equity-related accounts**	1
Debt	1	**Cash and cash equivalents**	1

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

Part I.C discusses instances of apparent non-compliance with rules related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Health Care

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to a **Business Combination** and **Journal Entries**.

Description of the deficiencies identified

With respect to a **Business Combination**:

During the year, the issuer acquired a business and used an external valuation specialist to determine the fair value of the acquired intangible assets. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of the company's specialist's work over the valuation of acquired intangible assets. The firm did not evaluate the specific review procedures that the control owners performed to (1) assess the accuracy and completeness of the issuer-provided data and (2) evaluate the reasonableness of the assumptions used by the company's specialist to determine the fair value of the acquired intangible assets. (AS 2201.42 and .44)

- The firm did not perform procedures to test the fair value of the acquired intangible assets beyond obtaining and reading the company's specialist's valuation report. Further, the firm did not perform procedures, beyond inquiry, to evaluate the work of the company's specialist as audit evidence. (AS 1105.A6 – .A10; AS 2501.07)

With respect to **Journal Entries**, for which the firm identified a fraud risk:

For certain of the issuer's business units, the firm did not perform any procedures to identify and select journal entries and other adjustments for testing, without having an appropriate basis for excluding those business units. (AS 2401.61)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In the two audits reviewed, the firm did not make certain required communications to the audit committee related to the firm's evaluation of the quality of the issuer's financial reporting. In one of these audits, the firm also did not communicate to the audit committee all of the significant risks identified through its risk assessment procedures. In the other audit, the firm also did not make a required communication to the audit committee related to critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one of two audits reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In the other audit reviewed, the firm did not provide a copy of the management representation letter to the audit committee prior to the issuance of the auditor's report. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.

- In one audit, the firm's audit report did not include certain language required to precede critical audit matters communicated in the audit report. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

PART I.C: INDEPENDENCE

PCAOB Rule 3520, *Auditor Independence*, requires a firm and its personnel to be independent of the firm's audit clients. This requirement encompasses not only an obligation to satisfy the independence criteria set out in PCAOB rules and standards but also an obligation to satisfy all other independence criteria applicable to an engagement, including the independence criteria set out by the SEC in Regulation S-X, 17 C.F.R. § 210.2-01, *Qualifications of Accountants*.

In the 2025 inspection, we did not identify, and the firm did not bring to our attention, any instances of apparent non-compliance with PCAOB Rule 3520. Although this section does not include any instances of apparent non-compliance with PCAOB Rule 3520 that we identified or the firm brought to our attention, there may be instances of non-compliance with rules related to independence that were not identified through our procedures or the firm's monitoring activities.

While the firm did not bring to our attention any instances of apparent non-compliance with PCAOB Rule 3520, the number, large or small, of firm-identified instances of apparent non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of apparent non-compliance across firms.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

Rose, Snyder & Jacobs LLP
ACCOUNTANTS & ADVISORS

January 19, 2026

Ms. Christine Gunia
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K St. NW
Washington, DC 20006–2803

Re: Response to draft report on the 2025 inspection of Rose, Snyder & Jacobs LLP

Dear Ms. Gunia:

We are pleased to provide our response to the Public Company Accounting Oversight Board ("PCAOB" or the "Board") regarding the Draft Report dated December 18, 2025 on the 2025 inspection of Rose, Snyder and Jacobs LLP (the "Draft Report"). We believe that the PCAOB's inspection process serves an important role in the achievement of our shared objectives of improving audit quality and serving investors and the public interest.

We conducted a thorough evaluation of the matters identified in the draft report, including involvement of an external consultant with more than ten years prior inspection experience with the PCAOB. Considering all the facts and circumstances related to certain findings, we believe the engagement team has obtained sufficient appropriate audit evidence, and any contrary conclusion is patently erroneous. After careful examination we respectfully have conveyed our disagreements with the PCAOB's conclusions as outlined in Attachment 1 (public portion) and Attachment 2 (non-public portion).

We would like to emphasize that determining whether significant engagement deficiency exists requires reviewers to exercise significant professional judgment partly due to ambiguous nature of relevant auditing standards and inspection process. Accordingly, we strongly believe any judgment as to whether a finding is a significant engagement deficiency leaves potential room for differences in opinion of equally qualified experienced auditors. We understand that "experienced auditor" is the one who has prior experience in executing relevant PCAOB auditing standards, including AS 3101 (i.e. signed an audit report).

Nevertheless, we remain dedicated to evaluating and improving our system of quality control, monitoring audit quality and implementing changes to our policies and practices in order to further enhance audit quality. We look forward to continuing to work with the PCAOB regarding the most effective means of achieving these objectives.

Our firm continues to be steadfast in our dedication to making audit quality our top priority. We appreciate the PCAOB's inspection process as it aids in enhancing our audit performance and further improving our internal quality control systems, including monitoring compliance with independence rules.

Respectfully submitted,

Rose, Snyder & Jacobs LLP

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FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Attachment 1 – Public Portion

Part I.A - Issuer A

Business Combination:

The PCAOB draft report alleges that:

> *"The firm did not evaluate the specific review procedures that the control owners performed to (1) assess the accuracy and completeness of the issuer-provided data and (2) evaluate the reasonableness of the assumptions used by the company's specialist, to determine the fair value of the acquired intangible assets. (AS 2201.42 and .44)"*

We respectfully disagree that the Firm did not *evaluate the specific review procedures that the control owners performed* because as clearly documented in the workpapers, the engagement team's controls test procedures to test design and operating effectiveness of the Control ACQ-03 included following:

As part of the acquisition, by design of the control, the Issuer engaged third-party valuation specialist who prepared a valuation report, tax due diligence report and excel databook. As an integral part of the issuer's control, the Issuer management performed independent research, validation of the data used in the calculations, and had correspondence with the third-party specialist as described below:

a) Independent research: management inquired company's personnel and obtained an understanding of the trial balance and account balances. Management reviewed this information, along with information provided by company by comparing to the information to the valuation report and databook completed by valuation specialist. Management also compared information used by valuation specialist to independent sources.

b) Validation of the data used in the calculations: Management reviewed the information in the excel databook by performing recalculations, comparing source information to other pages, company also held internal meetings to discuss the report, excel sheet, and formulas used. The Accountant Workpaper - OBS tab has comments by the Issuer's Corporate Controller including what source information the Corporate Controller agreed information to in the excel which is later used as part of the valuation report. The engagement team reperformed a selection of these procedures as part of testing this control.

   Correspondence with the third-party specialist: the valuation report went through multiple versions, as management had many questions on how information was derived and their results. The methodology of correspondence was via emails and calls.

The PCAOB draft report further alleges that:

> *"The firm did not perform procedures to test the fair value of the acquired intangible assets beyond obtaining and reading the company's specialist's valuation report. Further, the firm did not perform procedures, beyond inquiry, to evaluate the work of the company's specialist as audit evidence. (AS 1105.A6 – .A10; AS 2501.07)"*

We respectfully disagree that the Firm did not *perform procedures to test the fair value of the acquired intangible assets beyond obtaining and reading the company's specialist's valuation report* because as clearly documented in the workpapers, the engagement team performed the following procedures:

In addition to "*obtaining and reading the company specialist's valuation report*", the engagement team performed following procedures to test the valuation of the acquired intangible assets and to evaluate the work of the company specialist as audit evidence:

a. AS 1105.A6- the engagement team evaluated the significant assumptions and methods used by the specialist by reviewing the valuation report, the external excel workbook, and performing interviews with the issuer management corroborated with the inquiries the engagement team performed with the third-party Specialist. The engagement team determined the methodology was consistent with acquisitions the issuer had incurred in prior years and the third-party specialist was competent and objective, and from a reliable firm who is capable of performing such valuation.

b. AS1105.A7- the engagement team's assessed inherent risk and risk of material misstatement for the business combination was low to moderate, due to the various factors described in the additional facts summary of this document. Based on the low to moderate assessed risk of material misstatement, the engagement team deemed the substantive procedures performed and supporting documents obtained were sufficient and appropriate to support their conclusions and audit objectives.

c. AS1105.A8- the completeness and accuracy of the data was assessed by management during their review of the Accountant opening balance workbook, as well as the due diligence inquiries performed by the management prior to the acquisition as an integral part of the Control ACQ-01. The engagement team tested this control.

d. The engagement team also obtained GL details exported from company's accounting software (saved outside of the audit file) and obtained supporting schedules for opening account balances noting no material variances. As there were no material variances between the supporting schedules and the opening balances, the engagement team deemed the data was complete and accurate. We remind that during the inspection the Firm representatives demonstrated this procedure.

e. AS1105.A9- The engagement team evaluated the relevance and reliability of the specialist's work by determining that the methodology was consistent with acquisitions the issuer had incurred in prior years and the third-party specialist was competent and objective, and from a reliable firm who is capable of performing such valuation.

f. AS1105.A10- the engagement team did not identify any contradicting findings or conclusions in the specialist's work, therefore, no additional procedures were deemed necessary to address the matter.

In addition to the substantive procedures described, the engagement team also:

g. Obtained support and recalculated the purchase price allocation and performed a recalculation of Goodwill.

h. Inspected supporting excel schedule prepared by valuation specialist and reviewed by the issuer Accountant, noting that balance after the acquisition and valuation specialist's adjustments properly rolls-forward and agreed to the valuation report as of the acquisition date.

   The largest changes from the trial balance included: a) adjusting Goodwill based on the purchase price, b) increasing Trade Name, net of accumulated amortization based on the fair value calculations in the valuation report. Per discussion with the valuation specialist and per management all revenue utilizes the Company's tradename and therefore a large increase was deemed reasonable by valuation specialist, and c) increasing acquired technology, net of accumulated amortization based on the fair value calculations in the valuation report. Per discussion with the valuation specialist, this includes clinical simulations and panorama developed technologies.

It appears that the PCAOB inspection team overrated the risk associated with this straightforward, 100% cash-based acquisition, hence has unduly high expectations of the engagement team. We emphasize once again that the changes in projections would only result in reallocation of non-current assets acquired with this acquisition. Any impact of using unreasonable or unsupportable high revenue growth projections would be limited to increasing goodwill and decreasing other identified intangible assets with definite life. Accordingly, the Firm believes:

- The engagement team obtained appropriate evidence that is sufficient to obtain reasonable assurance about whether material weaknesses existed as of the date of management's assessment; and
- The engagement team performed sufficient appropriate procedures to address the assessed risk of material misstatement related to valuation and allocation of acquired intangible assets, specifically trade names, customer relationships, and developed technology, associated with the Issuer's acquisition.

<u>Journal Entries:</u>

The PCAOB draft report alleges that:

> *"For certain of the issuer's business units, the firm did not perform any procedures to identify and select journal entries and other adjustments for testing, without having an appropriate basis for excluding those business units. (AS 2401.61)"*

We respectfully disagree that the Firm did not have *an appropriate basis for excluding those business units*, because:

- The engagement team obtained copies of the trial balances and general ledger of each entity on a quarterly basis, and, at year-end, obtained screenshots of the parameters used to generate the reports directly from the accounting system (screenshots of parameters were not retained in the audit documentation).
- The engagement team scoped in the journal entries of the components based on the results of its risk assessment of material misstatement, including fraud risks due to management override.
- The engagement team identified management override of controls as a fraud risk and, in this regard, noted that all of the financial reporting activities of the Issuer occur within one division. AS 2401.61 states: "*The auditor's procedures for testing journal entries and other adjustments will vary based on the nature of the financial reporting process*." As a result, based on the engagement team's understanding of the entity's financial reporting process and the nature of the evidence that can be examined, the engagement team selected the journal entries from that one division.
- In addition, the engagement team considered the relative size and nature and volume of transactions at other locations in determining the population of journal entries scoped in for

testing. The transactions at those other locations were subject to substantive testing as part of the overall population of transactions, including tests of revenue recognition, further addressing the engagement team's risk assessment of material misstatement, including fraud risks due to management override.

The engagement team considered the requirements of AS 2401.61 when determining the population of journal entries subject to evaluation, including its assessment of the fraud risk, effectiveness of controls that have been implemented over journal entries and other adjustments, the Issuer's financial reporting process, the characteristics of fraudulent entries or adjustments, the nature and complexity of the accounts, and journal entries or other adjustments processed outside the normal course of business. Overarching principle set in the introductory paragraph in AS 2401.61 states: "*The auditor should use professional judgment in determining the nature, timing, and extent of the testing of journal entries and other adjustments*." The scoping decision including the journal entries from other locations was based on the engagement team's professional judgment in accordance with AS 2401.61.

Part I.B

Redacted. Confidential Treatment Request Granted by the Board Pursuant to PCAOB Rule 4007(b)

The PCAOB draft report further alleges that:

- *"In the two audits reviewed, the firm did not make a required communication to the audit committee related to the firm's evaluation of the quality of the issuer's financial reporting.*
- *In one of these audits, the firm did not communicate to the audit committee all of the significant risks identified through its risk assessment procedures.*
- *In the other audit, the firm did not make a required communication to the audit committee related to* **** *critical accounting estimates. In these instances, the firm was non-compliant with AS 1301, Communications with Audit Committees"*
- *In one of two audits reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In the other audit reviewed, the firm did not provide a copy of the management representation letter to the audit committee prior to the issuance of the auditor's report. In these instances, the firm was non-compliant with AS 1301, Communications with Audit Committees, and AS 2805, Management Representations.*

We respectfully disagree that the Firm *was non-compliant with AS 1301, Communications with Audit Committees*. Specifically, we disagree that the engagement team did not communicate items listed above because:

- The results of the auditor's evaluation of, and conclusions about, *the qualitative aspects of the Issuer's significant accounting policies and practices*. The engagement team clearly communicated that *"Our responsibility under professional standards is to evaluate the qualitative aspects of the company's accounting practices, including potential bias in management's judgments about the amounts and disclosures in the consolidated financial statements, and to communicate the results of our evaluation and our conclusions to you."* The engagement team did not identify any reportable conditions. Accordingly, there was nothing to communicate.
- Through our review of the file, we determined that the *assessed significant risk* is the fair value of contingent liabilities only. The engagement team had two separate specific significant risks in the audit documentation, however, based on our review of the file there is no generic significant risk of fair value. Therefore, there is only one significant risk related to contingent liabilities. As the significant risk in contingent liabilities was assessed by the engagement team after the audit planning communication was sent (workpaper 1100.02), the communication of the significant risk of contingent liabilities was not performed in writing, however, it was discussed during the Audit Committee Presentation by the engagement partner.
- ****Redacted. Confidential Treatment Request Granted by the Board Pursuant to PCAOB Rule 4007(b)
- Its assessment of critical accounting policies and practices. The engagement team made reference to the notes to the financial statements and specifically identified critical accounting policies in the communication.
- The management representation letters, material written communication between management and the auditor, or obtain evidence that the Issuer's management had

separately provided a copy of the management representation letters, prior to the issuance of the auditor's report. As communicated to the inspection team, the engagement team provided a copy of the management representation letter to the Audit Committee. We respectfully disagree that the engagement team did not obtain evidence that the Issuer's management had not separately provided a copy of the management representation letter. As communicated above in the Firm's response to the statement of facts, the management representation letter was executed by the Chief Executive Officer, who also serves as Chairman of the Board of Directors. The Audit Committee is a sub-committee of the Board of Directors and as such, the Firm contends that it had provided a copy of the management representation letter to those charged with governance in accordance with AS 1301 and AS 2805.

Redacted. Confidential Treatment Request Granted by the Board Pursuant to PCAOB Rule 4007(b)