

Coldwater Creek

November 3, 2011

Public Company Accounting Oversight Board
Attn: Office of the Secretary
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: *Concept Release on Auditor Independence and Audit Firm Rotation*, PCAOB Rulemaking Docket Matter No. 37

On behalf of Coldwater Creek Inc. (NASDAQ: CWTR) I am pleased to respond to the request for comments from the Public Company Accounting Oversight Board (the "PCAOB") on its *Concept Release on Auditor Independence and Audit Firm Rotation*, PCAOB Release No. 2011-006; PCAOB Rulemaking Docket Matter No. 37 dated August 16, 2011 (the "Release"). I appreciate the PCAOB's decision to seek input from stakeholders on the Release in order to promote the development of high quality standards that can be practically applied.

I believe the litmus test for changes to an audit standard is two fold: (1) Does the change improve audit quality; and (2) Are the costs and potential unintended consequences associated with the change acceptable when compared to the expected improvements to audit quality? My comments below are based on this litmus test against the Release's proposed mandatory audit firm rotation.

In summary, I strongly oppose mandatory audit firm rotation.

Does the change improve audit quality?

I believe the existing safeguards are adequately designed to address auditor independence, objectivity and professional skepticism. Current audit standards and oversight mechanisms include, but are not limited to, the following:

- Engagement partner rotation;
- Training;
- Engagement quality assurance reviews;
- Use of specialists;
- Prohibited services;
- Internal inspections;
- Peer reviews;
- PCAOB regular and special inspections; and
- Audit committee oversight

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If these are not operating as intended, then I would argue that adding another standard does not accomplish the PCAOB's intended result. Rather, the focus by the PCAOB should be on ensuring that existing standards are being properly applied.

Further, I believe the approach proposed by the Release would diminish auditor independence, objectivity and professional skepticism rather than enhance these objectives. Given the complexities of accounting standards and the processes that must be established to correctly apply them, along with complex systems, organizational structures and industry practices, we and the stakeholders who rely on our financial statements are best served by allowing the company to select and retain the firm with the most company and industry knowledge. This knowledge develops over time with experience. Under a mandatory rotation approach, the learning curve starts anew with each transition, exposing us to a period of higher risk of audit failure.

Are the costs and potential unintended consequences associated with the change acceptable when compared to the expected improvements to audit quality?

The potential benefit, if any, resulting from this Release are unsupported. However, I believe significant costs and unintended consequences would result, including:

- *Increase in the cost of audits* – For each rotation, the audit firm would require start-up time necessary to gain familiarity with the company and its operations. Such time would include establishing the audit approach based on company specific practices and risks, inquiries with the predecessor auditor, and the review of the predecessor auditor working papers. It should be pointed out that the time incurred by both the predecessor auditor and successor auditor during each transition would be billed to the company. Any new audit procedures put in place to address audit risk at the early stages of a new audit would incrementally add to the engagement cost to the company.
- *Increase in the burden to the company and its audit committee* – For each rotation, there is an additional burden to the company and its audit committee to facilitate the change. We would need to execute a selection process, which requires providing due diligence materials to competing firms, provide the successor firm with information needed to plan their audits, and incur the inefficiencies of supporting a new firm while they gain familiarity with the company and its operations. The audit committee must maintain an appropriate level of oversight of the auditors, which further complicates that task under a mandatory rotation standard.

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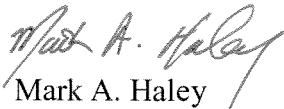
- *Burden of maintaining independence with at least two firms at all times* – Currently, companies work closely with its auditors to maintain independence, which can be especially challenging for multi-national companies that must coordinate with many locations and smaller companies that have greater non-audit services needs (e.g., assistance with tax returns and provisions). Under a mandatory rotation standard, a company would be required to maintain independence with its current audit firm as well as any potential successor firms, which limit the available firms that can provide non-audit services.
- *Lack of audit firms available in certain markets* – Certain smaller markets or developing country markets may have a limited number of audit firms in those locations that are qualified to perform the audits. This creates a burden on companies to find solutions for their audit needs and may result in increased audit costs if audit teams need to be sourced from a different location.

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Based on the above, I believe mandatory audit firm rotation does not improve audit quality and the costs and potential unintended consequences are not acceptable. Therefore, the PCAOB should not move forward with a mandatory rotation standard, but rather should focus on improving the effectiveness of current audit standards. If, however, the PCAOB is inclined to move forward with a mandatory rotation standard, I strongly recommend the PCAOB seek supporting evidence about the impact such a change would have on audit quality and the related costs and potential unintended consequences.

Thank you for your consideration.

Sincerely,



Mark A. Haley
Vice President and Chief Accounting Officer