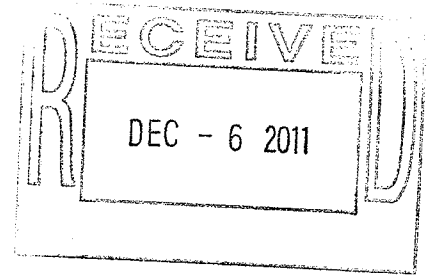**REGIS INVESTMENTS**

December 2, 2011

Office of the Secretary
PCAOB
1666 K St, N. W.
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

Gentlemen,

I appreciate the opportunity to respond to the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation (the "Release"). While I applaud and support the goal of the Release and the thought-provoking method the PCAOB is using to improve the quality and product of the audit process, I am convinced that the suggested solution in the instant case would be costly, difficult to implement and, most importantly, likely to result in inferior rather than superior audit quality. Let me amplify.

PERSPECTIVE

To put my comments into context, I am a former Audit Partner with one of the Big Four having served for over thirty years in various offices in both line and leadership positions. Following that, I was in the venture capital business for a number of years and financed a number of technology companies that became publicly listed during the mid to late 90's. Currently, I am the Chairman of the Audit Committee of Cray Inc. (CRAY), a member of the Audit Committee and designated financial expert at Columbia Banking System, Inc. (COLB) and the immediate past Chairman of the Board and member of the Audit Committee of ART Technology, Inc. (ARTG). I have, therefore, a broad background as both a provider and user of audit services. I also draw upon the experience of my colleagues at the aforementioned Audit Committees who join me in supporting this response.

IMPLEMENTATION

I believe that it is axiomatic that this proposal would increase the cost of providing audits but it nonetheless bears repeating the words on page 3 of the Release that it "recognizes that a rotation requirement would significantly change the status quo and accordingly, would result in significant cost and disruption." These costs would result from quantifiable expenses, such as the actual cost of the increased number of proposal(s), but will be magnified by real but unquantifiable inefficiencies resulting from the loss of institutional knowledge and re-training of auditors, particularly where scarce industry experience is available. Accordingly, it is necessary that there be clear and convincing evidence that the proposals would cure a pervasive and causative problem. But that is not the evidence that exists today. The Release acknowledges several fundamental deficiencies in arriving at a conclusion that there is a proximate cause/effect between perceived lapses in independent thinking on the part of auditors and their desire to retain client relationships. For example, inherent bias in the choice of audits reviewed by the PCAOB (towards those with higher risk and the potential for "close call" judgments) and empirical data

which suggests that restatements are declining, not rising and do not rise disproportionately in any way when current procedures produce an auditor change.

I also think that the Release may be premature in its conclusion with only a few years of analysis under its belt and may not have given adequate time for the full effect of Sarbanes Oxley ("SOX") changes to work their way through the system. There is no doubt that in the early years of SOX, that auditors, audit committees and management had a great deal of difficulty with implementation, particularly Section 404. However, with a much better understanding of the process and spirit, there is now general agreement that the process works reasonably efficiently and, most importantly, has added considerable strength to the audit committee and auditor relationship. As described by a former SEC Chief Accountant, the relationship has evolved to one where Audit Committees are the independent auditors' strongest ally and their harshest critic. I think a very healthy balance has been struck and this balance has dramatically increased the ability of independent auditors to reach appropriate conclusions while ensuring the efficient and effective performance of their duties.
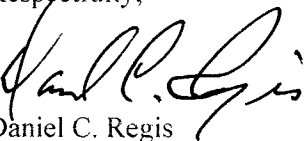

AUDITOR EXPERIENCE

Probably my gravest concern with the proposal is the seeming lack of recognition of the importance of industry and institutional knowledge in an audit engagement team and most importantly in its lead partner. The audit firm makes a substantial commitment to put itself in a position to be able to perform an audit of a large company and will be disinclined to make the same investment where long-term relationships cannot be counted on. Furthermore, audit partner tenure is already a major concern. While SOX has had many positive results, one that has been counter-productive is the increasing frequency with which engagement partners are rotated. In my experience, the condition(s) most likely to lead to an audit failure is the combination of a relatively new and inexperienced engagement team in a complex industry or complex accounting environment (e.g. financial industry, technology, etc.), faced with an inept, overly aggressive or unprincipled management team. Accordingly, the Release is likely to exacerbate an already-existing problem and cause the very condition it seeks to remedy by forcibly structuring conditions likely to produce an audit failure through inexperienced audit teams.

SUMMARY

I and my colleagues join the PCAOB in its constant efforts to improve audit quality. However, we believe an evolutionary approach is called for in this situation and that the current relationship between the independent auditor and the companies they audit has appropriate safeguards. We support and continue to perform periodic analysis of our independent auditor's performance and stand ready to make changes where appropriate. We believe that the Release reaches too far to a conclusion not necessarily supported by facts and where it is acknowledged a change would be costly and could, quite likely, result in a decrease in audit quality rather than an improvement.

Respectfully,

Daniel C. Regis
General Partner

cc: Audit Committee, Cray Inc.
     Audit Committee, Columbia Banking System, Inc.