

December 12, 2011

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Chairman Doty:

I am writing this letter in my capacity as Chairman of the Audit Committee of the Wet Seal, Inc., a U.S. public company, in response to your invitation to provide feedback on the Public Company Accounting Oversight Board ("PCAOB") Rulemaking Docket Matter No. 37 - Concept Release regarding Auditor Independence and Audit Firm Rotation. The release outlines the PCAOB's thoughts on possible ways to enhance auditor independence, objectivity, and professional skepticism through mandatory audit firm rotation.

As an Audit Committee Chairman, I have a vested interest in ensuring that external audit firms provide a quality audit and support the PCAOB's ongoing efforts to enhance auditor independence, objectivity, and professional skepticism. However, I do not believe that mandatory auditor rotation is an effective means through which to achieve these benefits for several reasons. First, rotation creates risks and costs associated with the learning curve for new audit firms. Secondly, I believe creating an environment where firms are continuously in a "proposal mode" will distract their attention and cause them to commit important resources to proposals rather than to auditing clients. Finally, there are currently effective controls in place including ----- existing partner rotation rules, PCAOB inspections, and the audit committee role in hiring, compensating, and monitoring the audit firm's performance.

Firm Rotation

Although rotation of audit firms should provide a heightened level of independence, it is my belief, based upon my past experience as an external auditor and my current Audit Committee role, that a new firm's full understanding of a client's business and attendant risks, takes several years. Consequently, this can impair the quality of audits in the first few years of a new engagement and would require public companies to bear an unreasonable level of cost and time associated with a change in audit firms. Furthermore, a new audit firm is not immune from the potential biases that may arise from trying to retain the client, protect audit fees, and expand the scope of services. No matter the duration of the engagement, audit firms are committed to building lasting relationships

with management to ensure future opportunities, including the chance to rotate back onto that client and to sell additional services, even if they are no longer serving as auditors. Therefore, enhanced independence will not necessarily result from mandatory auditor rotation, although increased audit costs will be incurred.

There is also no corroborating evidence to date that audit quality would be improved by mandatory audit firm rotation. As noted in the study results released in November 2003 by the United States General Accounting Office ("GAO") on mandatory audit firm rotation,

"... mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence and improve audit quality considering the additional financial costs and the loss of institutional knowledge of the public company's previous auditor of record."

The time invested by companies in managing the proposal process and in the first year transition would be substantial while producing no economic benefit. Audit fees could increase further as audit firms would likely need to change their profitability models from a long term focus to a shorter term focus to ensure they obtain the necessary profitability to exist and grow. More importantly, their need to replace lost revenues and grow profitability could result in audit firms focusing more time and experienced resources on proposal work for new audit clients and less on auditing existing clients, thereby presenting more, rather than less, risk to companies.

Partner Rotation

In my experience, mandatory partner rotation seems to work well with new partners from the incumbent firms bringing a fresh perspective and increased objectivity and skepticism, without sacrificing the loss of valuable knowledge gained by the audit firm. Maintaining mandatory audit partner rotation, in addition to the evolution of the existing PCAOB inspection process, should continue to enhance the quality of external audits. Additionally, audit committees can always seek a proposal if, in their judgment, the accounting firm is not performing well, or, alternatively, request a change in the lead partner or other staff.

Inspection Process

The PCAOB inspection process has had a significant impact on audit firms, driving them to continually improve their audit and other internal processes. There is also increased audit committee visibility on the overall performance of the audit firm. I expect the inspection process, which is only four years old, will result in continuous improvement and that the changes effected will become embedded in the accounting firms' cultures over time. Therefore, I believe that enhanced audit quality will come as firms continue to adopt a heightened level of objectivity and skepticism, not only within their audit

processes, but also within their training and development programs. The negative effects on reputation that PCAOB findings can have are not only a risk to the audit firms but also to the audit committees and companies that are associated with them. Our Audit Committee takes inspection findings very seriously and holds the audit firm highly accountable to address any noted weaknesses.

Oversight Responsibility

The Audit Committee and our Board have a vested interest in ensuring that quality audits are conducted in a manner that ensures the Company is providing accurate and transparent financial reporting to its stakeholders. Mandatory audit firm rotation could lessen the ability of audit committees to effectively oversee audit firms due to the disruption and risks that occur with a change in audit firms. In addition, the process to select a new audit firm is extremely time consuming and is difficult to justify when considering the uncertain benefits and potential risks a change may present.

In summary, I urge you to reconsider the need for mandatory audit firm rotation and instead rely upon the evolution of the existing regulations, rules, PCAOB inspections, partner rotations, and audit committee oversight to further enhance audit firm objectivity and audit quality.

Respectfully,

Kenneth M. Reiss
Chairman of the Audit Committee
The Wet Seal, Inc.