

April 9, 2012

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

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

Members of the Board:

I am writing, on behalf of the Board Audit Committee of Headwaters Incorporated, in response to your request to comment on the concept release on auditor independence and mandatory audit firm rotation. We appreciate the opportunity to provide our comments.

We support the PCAOB's effort to improve the audit process as it relates to auditor independence, objectivity and professional skepticism. However, we are opposed to the mandatory rotation of audit firms. PCAOB acknowledges that there is no significant evidence that mandatory rotation increases the audit quality. We feel the negative aspects of mandatory rotation would far outweigh any perceived benefits that might come from rotation.

We, as an audit committee, are very aware of the importance of retaining an audit firm that is independent, objective and that exercises professional skepticism in conducting their audit. We firmly believe that we, as an audit committee, are in the best position to evaluate the auditor's adherence to these fundamentally important principles. Our choices in selecting an appropriate auditing firm are already somewhat limited by the few number of firms that have the capability of auditing a company such as ours. Mandatory rotation may well force us to use auditors that lack the industry expertise and the internal integrity that we view is vital in assuring us that our auditing firm is capable of conducting a truly independent and objective audit.

Audit firms gain knowledge over time that significantly increases their ability to understand the company's risks and uncertainties and thereby evaluate judgments and estimates made by management. This industry and company specific knowledge can only be acquired over time and by ongoing exposure to a company's operations. Mandatory rotation would significantly diminish this important aspect of the auditor's knowledge. We believe there would be two very negative outcomes from mandatory rotation. First, the

inability of the auditor to fully understand complex issues may well result in a less effective and lower quality audit. Stakeholders depend on auditors to have a thorough understanding of the entire set of complex issues faced by the company and thereby the ability to independently challenge decisions reached by management. With newly appointed auditors engaged in the required learning curve their effectiveness would undoubtedly be impaired. Second, in order to gain the necessary specific knowledge new auditors will necessarily need to spend much additional time bringing themselves up to speed with all of the company's accounting issues. This will translate into an inefficient way to conduct a quality audit and add significant cost to the company and thereby the stakeholders. In the final analysis, the benefit that stakeholders receive from having an independent audit needs to justify the cost spent on obtaining that audit. Audit costs are already at very high levels driven in part by mandatory regulations. It is our opinion that any perceived benefit from mandatory rotation would be far outweighed by the additional cost of obtaining an audit. Further, and importantly, we believe the quality of the audit would be diminished.

Thank you for allowing us the opportunity to respond to this concept release.

Very truly yours,



R Sam Christensen
Chairman
Headwaters Incorporated Audit Committee