December 8, 2011

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

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Board Members:

This letter provides comments on your concept release on Auditor Independence and Audit Firm Rotation. Our comments are the direct result of our experiences serving on the boards of Crown Media and other public companies.

We are concerned about the considerable additional costs which would result from mandatory firm rotation and are not convinced that these measures will materially increase auditor independence or reduce the risk of audit failure.

The additional costs of enforced audit firm rotation are well documented. These costs result from the “learning curve” of the new auditor and are incurred by both the new auditor and the corporation providing the education. Less obvious but equally burdensome are the soft costs relating to audit failures and undetected fraud which are proven to occur more frequently in the early years of a new audit firm’s tenure. These costs and demands on company resources are particularly onerous for smaller public companies such as ours and the effects of increased audit failures more traumatic.

The costs of enforced rotation might be acceptable if there was proof that these measures would produce greater auditor independence which would truly result in a significant reduction in the risk of audit failure and fewer instances of insufficiently-supported audit opinions. However, the linkage between audit failure and independence is not supported by objective evidence. These same issues were raised regarding the performance of non-audit work by audit firms and now, after several years of this practice being barred, there is still no empirical evidence that the risk of audit failure has been decreased as a result of the increase in perceived independence.

We are concerned about the subjective evidence on which legislation is being proposed. We would expect the PCAOB to investigate the audit failures it has identified with the same skepticism, objectivity and independence it is asking of the
audit firms it regulates. We would have some sympathy with a pilot plan that was appropriately
designed to provide empirical evidence of the effects of auditor rotation. We would also like to
see the PCAOB objectively evaluate the effects of other “independence” legislation such as
restrictions on services, employment of previous audit staff, partner rotation etc., which have
increased the costs we incur on audits, but whose benefits have not been immediately obvious.

Thank you for your consideration of these comments.

Sincerely,
Audit Committee of the Board of Directors
Crown Media Holdings, Inc.

[Signatures]

Herbert A. Granath
A. Drue Jennings, Chairman

Peter A. Lund