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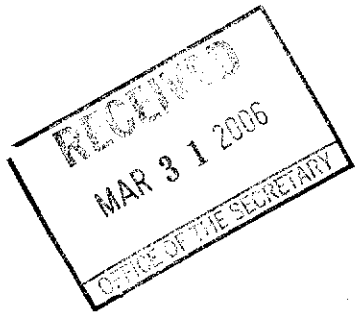

File No. PCAOB-2006-01

Members of the Commission:

We appreciate the opportunity to comment on File Number PCAOB-2006-01, "Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees." Our comments specifically address Rule 3523.

Rule 3523 generally states that an audit firm will not be considered independent if the firm provides any tax services to a person in a financial reporting oversight role at the audit client. We believe that the rule is unnecessarily broad in both its scope and application. We are particularly concerned about the prohibition of providing even routine tax services to senior officers.

The rule seems to be an overreaching attempt to stop past rare abuses by forbidding any and all tax interaction between company executives and the audit firm. In Rule 3522, the Board identifies the two types of aggressive tax services that raise serious independence concerns – confidential transactions and aggressive tax transactions. When it comes to the audit client itself, the proposed rules prohibit tax services associated with these types of abusive tax transactions but allow the auditor to continue to provide routine tax services. Therefore, it is clear that the Board recognizes the difference between conventional tax services and aggressive tax shelters. However, under Rule 3523, select senior officers of the audit client are forbidden to receive any tax services from the audit firm – including routine tax services. We fail to understand the reason why the tax services provided to individual officers are limited to a greater extent than the tax services provided to the company being audited.

It seems reasonable to assume that the same oversight required of the audit committee for tax services provided to the audit client could also be required for tax services provided to senior officers. This approach should provide the same level of comfort without necessitating the giant leap to complete prohibition. The restrictions of Rule 3522 and required audit committee pre-approval under Rule 3524 can also be applied to company officers in order to allay any fears that an audit firm is providing aggressive tax transactions to senior officers.

Instead of establishing a standard that completely restricts interaction on routine tax compliance and planning, while creating a fairly complex compliance burden for all parties involved, effort would be better spent creating a rule to address the aggressive tax strategy abuses that have been specifically identified by the Board. We agree with the Board that audit firms should not be permitted to provide tax services to senior officers related to aggressive tax strategies. At the same time, it is doubtful that any abuses have occurred during the provision of conventional tax compliance and planning services. Rather than prohibit all personal tax services, the rule should be more exact in its scope so that it impacts only those transactions with which the Board has expressed concerns.

Ultimately, it is still puzzling that the rule does not allow the auditor to provide the same types of tax services to senior officers that the auditor is permitted to provide to the audit client.

An unintended consequence of Rule 3523 is the limitation of choice that will now be imposed on senior officers. Often the tax compliance of these officers requires sophisticated tax experts who have access to a network of tax professionals throughout the world that can ensure compliance with the tax rules in a variety of tax jurisdictions. This complexity often requires access to experienced tax professionals within an international accounting firm. Rule 3523 places severe limitations on the resources available to the senior officers at large multinational corporations since multinationals with a number of entities and international locations often utilize more than one audit firm.

Currently, there are four major international accounting firms. In our case, we currently utilize two of these firms for corporate audits leaving the choice for our senior executives to two of the "Big 4" for their personal tax needs. With one of the remaining two being held in less than high regard, the limitations are very apparent and very real. The limitation places unnecessary obstacles in front of those officers that desire expert tax services from large accounting firms.

The proposed rule seems to take a large, dramatic step that causes undue hardship on all parties involved. Audit firms will need to monitor the tax services provided for executives at potential clients as well as monitor the tax services provided for current clients. In addition, the negative impacts discussed above neglect to address the fact that professional relationships and continuity built over the years will be lost – most often at the personal expense (financially and professionally) of the executive himself.

Finally, we are concerned with the planned timing of adoption. The late 2005 timing of final submission to the SEC required a hurried analysis to identify individuals potentially impacted by the rule along with a feverish attempt to ensure that we satisfied the conditions allowing services to be provided for 2005 compliance. Without a definitive date for SEC approval, many hours were squandered in an effort to accelerate work to comply with these transitional provisions. A more practical application would allow for the completion of 2005 tax compliance services independent of the date started. Instead, we were left to determine for ourselves what constitutes "work of substance" and ensure that work proceeded to that level before an indeterminate effective date arrived.

In conclusion, we feel that the independence of audit firms can be maintained while providing tax services to senior officers by employing the same standards applied to audit clients themselves under Rule 3522. In addition, audit committee pre-approval under Rule 3524 could be added as an additional safeguard for individual tax services, if deemed necessary. We continue to believe that providing routine tax services to senior officers does not impair auditor independence.

We commend the Board on its efforts to adopt meaningful rules to strengthen independence. However, Rule 3523 is too broad in its application when compared to the specific activities that it is trying to curtail and the benefits it is trying to bestow.

Sincerely,

Jeffrey A. Sterner
Treasury Operations Manager