

COUNCIL OF INSTITUTIONAL INVESTORS

Suite 500 • 888 17th Street, NW • Washington, DC 20006 • (202) 822-0800 • Fax (202) 822-0801 • www.cii.org

May 19, 2009

Carl Olson, Chairman
Fund for Stockowners Rights
West Coast Office
PO Box 6102
Woodland Hills, CA 91365

Re: Auditing Industry Reform

Dear Mr. Olson:

Thank you for your April 3, 2009, letter regarding the need for robust oversight and meaningful accountability of public company auditors. The Council of Institutional Investors shares your concerns and has been active in many of the areas you highlight in your letter.

The Council supports high quality audited financial statements. As a leading voice for long-term, patient capital, we believe that accurate, transparent, understandable and audited financial accounting and reporting information is critical to investors in making investment decisions and to the overall well-being of the capital markets. That strong belief is reflected in the Council's policy on "Independence of Accounting and Auditing Standard Setting" (see attached policy).

The Council opposes efforts to limit auditor liability. In 2006, after months of research, discussion, and consideration, the Council's General Members unanimously approved a corporate governance policy that "Companies should not agree to limit the liability of outside auditors." The Council believes that limiting the liability of public company auditors would not be beneficial to investors as it may reduce the quality and reliability of audits. We are thus generally opposed to proposals designed to limit auditor liability, and we have spoken out against such efforts in both the United States and European Union (see attached letters).

Our views on auditor liability were also reflected in the October 2008 Final Report of the Department of the Treasury Advisory Committee on the Auditing Profession. In part because of our views and participation on the Advisory Committee, the Final Report did not include recommendations offered by representatives of the auditing industry to place further limits on auditor liability. The Final Report did include the following two recommendations that the Advisory Committee believed could enhance the accountability of the auditing profession:

- Adopt annual shareholder ratification of public company auditors by all public companies.
- Urge the PCAOB to undertake a standard-setting initiative to consider mandating the engagement partner's signature on the auditor's report.

The Council supports strong oversight and enforcement at both the state and federal level. We strongly believe that those who oversee the auditing profession should have the authority and resources necessary to fulfill their mission to protect investors and the integrity of our capital markets. In that regard, we have filed two amici briefs in support of the authority of the PCAOB to oversee public company audits (see attached briefs). The Council will always fight to ensure that all those tasked with the oversight of public accounting firms have the authority and funding they need—especially the PCAOB and SEC.

Thank you once again for your letter. Please feel free to contact me with any questions at (202) 261-7096 or jonathan@cii.org.

Sincerely,

A handwritten signature in black ink that reads "Jonathan D. Urick". The signature is written in a cursive style with a large, looping initial "J".

Jonathan D. Urick
Research Analyst
Council of Institutional Investors