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Sent via email: comments@pcaobus.org

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

RE: PCAOB Rulemaking Docket Matter No. 37

The audit committee of Chipotle Mexican Grill, Inc. appreciates the opportunity to comment on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation. We are supportive of the PCAOB's goals of continuously increasing audit quality and protecting investors. However, we believe that the proposal for mandatory audit firm rotation is not supported by facts and is insufficiently justified from a cost-benefit perspective. Mandatory audit rotation has been debated for decades and, as the concept release admits, there has been no convincing evidence that mandatory audit rotation outweighs the considerable incremental costs and risks and no evidence that links audit firm tenure to audit failures or lack of auditor independence, objectivity and professional skepticism.

We believe the Concept Release is unwarranted as independence, objectivity and professional skepticism are supported by the requirements under existing standards and mandatory rotation is not a constructive method to increase professional skepticism. In our opinion, industry expertise combined with institutional knowledge gained over time significantly enhances audit quality. With the steep learning curve involved in serving new clients and loss of institutional knowledge, auditor rotation would increase the risk of audit failure in the early years.

The costs to companies, ultimately borne by shareholders, will be significant. Audit firms will be required to move attention and focus from performance of audits to audit and non-audit proposals, which would significantly increase the amount of overhead that would be passed to clients. Additionally, as mentioned in the Concept Release, the larger firms estimate initial year audit costs would be expected to increase by more than 20%. Additional costs should also be expected as firms move or hire the right employees with the right expertise when clients are gained, and then subsequently move or terminate employees as clients are rotated off. Mandatory rotation would also be burdensome on the company's personnel as the new auditor would need to be educated on business operations and accounting and financial processes.

Auditor independence is a key element in protecting the various stakeholders of a company. A primary focus of the audit committee is to evaluate and reinforce the independence of the audit function. The audit committee is in the best position to select

and retain an audit firm it believes meets the needs of the shareholders. Requiring mandatory rotation takes this responsibility out of the hands of the audit committee and may result in selecting a less qualified firm with less institutional or industry knowledge.

One issue not considered in the Concept Release is the non-audit services that will also be subject to some rotation due to the limited number of large public accounting firms. We do not believe there is a connection between an auditor's lack of professional skepticism and independence with protecting the unlimited revenue stream from audit fees. However, if there was a connection, audit rotation requirements would not change it because there would be a continuing interest on a firm's part to maintain a relationship with the client in hopes of replacing the audit revenue with non-audit service revenue.

Due to the concerns mentioned above and the lack of evidence that would support increased audit quality, we respectfully request the PCAOB not pursue mandatory audit firm rotation.

Thank you for your consideration and allowing us to comment,

Albert S. Baldocchi
Chairperson of the Audit Committee
Chipotle Mexican Grill, Inc.