



Francine McKenna
Managing Editor of

re: The Auditors

■ **Three Most Significant Developments of Jan-June 2009:**

- Flood of suits nipping at heels of firms “global network” construct. Agent-agency/manage and control issues argued against international firms.
 - BES v. BDO International: Pyrrhic victory for BDO International but record \$571 million judgment re: BDO Seidman still stands pending appeal.
 - Two more Big 4 subject to agency-agent manage and control suits - SACPF, et al v. Deloitte International (and Grant Thornton Int’l) and \$1 billion for New Century Trustee v. Parmalat.
 - Biggest ever suit against PwC International re: Satyam expected. Some traditional suits already filed re: ADRs.
- 43 Madoff Big 6 auditor suits to date: KPMG, PwC, EY, BDO and RSM and 1 v. Rothstein Kass. Bermuda, Caymans, Tortuga and well as International firms get mentions.
- PwC settles one AIG suit, gets out of jail free via NY version of *in pari delicto on another*, named in new policyholder suit, and re-ups as auditor for another year.



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■ Three Plus Most Interesting Developments in Jan-June 2009

- Satyam Bollywood “Who’s Your Auditor” Soap Opera: Price Waterhouse India Bangalore, PwCIL, Lovelock and Lewes, PwC US, Idearc Chap 11, and two PW India partners still jail since Jan.
- Auditors immunizing from most subprime suits by claiming, “assertions of fraud are unjustified against those who were doing their best under circumstances that were exceedingly difficult...” Michael Young defense.
- Class action against PwC in CA may actually be successful, changing model of no OT to non-licensed associates for all.
- Deloitte still suing their Vice Chairman for insider trading. Admitted he’d violated independence policy >250 times over a 4-year period. Add EY partner insider trading and BDO partners tax shelter guilty pleas...
- KPMG settles with Vitesse over options backdating and KL asks: Any other gatekeeper settlements? Yes, Micrel with Deloitte 3/07 and KPMG with Brocade 8/06. New suit ESSI against PwC just filed in June. Will settle because CEO who blamed PwC already in jail. GC for McAfee was recently acquitted.

- **One Bold Prediction for 2009:** Satyam v. PwC International “manage and control” suit will be biggest yet.