

Choose an area of interest:

Search

[Home](#) | [Member Services](#) | [News](#) | [Resource Library](#) | [Career Center](#) | [Professional Education](#) | [Marketplace](#) | [Investor Relations](#)

► Choose an area of interest:

[Accounting](#) | [A & A](#) | [Ethics & Compliance](#) | [Financial Planning](#) | [HR](#) | [International](#) | [Legal](#) | [Corporate Finance](#) | [Students](#) | [Tax](#) | [Tech](#)

#### Related Stories

[SmartPros News & Insights Newsletter](#)

## KPMG Reaches Revised Pact on Tax Shelters

March 27, 2006 (International Herald Tribune) — The accounting firm KPMG has said that it reached a revised settlement with tax shelter investors, but it warned that the reduced agreement could still fall apart.

The previous \$195 million deal, brokered last September through the law firm of Milberg Weiss Bershad & Schulman, collapsed in recent months when nearly a quarter of the eligible investors chose not to take part, saying it did not offer them enough compensation.

Under the complex terms of the revised settlement announced Wednesday, 60 or so investors who chose not to join can take part, and investors now in the deal can elect not to participate.

KPMG did not provide any figures on the revised proposal. But given the number of opt-outs in the original deal, the final amount available is unlikely to exceed \$155 million and may drop to \$125 million or lower, said lawyers who have read its proposed terms.

"There's going to be drastic reduction in the amount of money that is ultimately paid out," said Michael Avenatti, a lawyer in Santa Monica, California, who represents wealthy investors who opposed the original deal. Avenatti, who also represents an informal group of lawyers who oppose the deal, declined to say whether he would advise clients to participate in the new deal.

Lawyers for KPMG filed papers Wednesday in the U.S. District Court in Newark, New Jersey, asking a federal judge to set a hearing in late May to approve the revised deal. The reduced settlement is a setback for Milberg Weiss. The law firm stood to earn \$30 million from the original settlement but will now reduce its fee by 25 percent of the value of the claims to reflect those opting out.

KPMG is struggling to put its tax shelter troubles behind it as aggrieved investors in the shelters are now seeking separate compensation greater than the money offered in the settlement. In August, the firm reached a \$456 million deferred-prosecution agreement with federal prosecutors over certain questionable shelters.

The civil class-action settlement is intended to return to investors the fees that they paid, both to KPMG and to the law firm of Sidley Austin Brown & Wood for four shelters known as Flip, Opis, Blips and SOS. The law firm, which provided legal opinions blessing the shelters as legitimate when they were not, in the eyes of the Internal Revenue Service will still pay about 20 percent of the final settlement's costs.

Under the new deal's complicated formula, the original \$195 million will be reduced by 65 percent of the total claims from investors who choose not to participate. KPMG will determine the size of those claims.

A KPMG spokesman said Wednesday that "this amended stipulation allows us to continue pursuing a fair and reasonable settlement of this matter."

But Edmundo Ramirez, a lawyer in McAllen, Texas, said the "very complicated" formula would "put a lot of lawyers off." Ramirez has negotiated sizable private settlements with KPMG on behalf of former investors in tax shelters.

The 60 or so who opted out of the original settlement generally have claims far higher than the average of \$750,000 available to each investor under its terms.

-- Lynnley Browning (The New York Times)

© (C) 2006 International Herald Tribune. via ProQuest Information and Learning Company; All Rights Reserved

---

| Would you recommend this article? |                  |
|-----------------------------------|------------------|
| 5 (yes, highly)                   | <b>Comments:</b> |
| 4                                 |                  |
| 3                                 |                  |
| 2                                 |                  |
| 1 (no, not at all)                |                  |

---

[About SmartPros](#) | [Accounting Products](#) | [Professional Education](#) | [Marketing Services](#) | [Consulting](#) | [Engineering Products](#) | [Contact Us](#)

© 2005 SmartPros Ltd.