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KPMG Makes Progress on Shelter Lawsuit

Newark, N.J. (April 28, 2006) - KPMG moved a bit closer to putting another piece of its tax shelter troubles in the past, filing court papers that more than 200 investors have agreed to a settlement in a class-action lawsuit against the accounting firm and law firm Sidley Austin Brown & Wood LLP.



Of the 284 eligible investors, 55 did opt out of the settlement, down slightly from the 64 individuals who had forced the parties to shelve a \$195 million settlement agreement in early February. With more than 80 percent of eligible participants now on board, spokespeople for KPMG and lawyers at Milberg Weiss Bershad & Schulman said that the settlement should now move forward without additional problems.

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The settlement covers four tax shelters offered by KPMG, which the Internal Revenue Service has said are abusive and helped the 600 taxpayers who bought them avoid about \$2.5 billion in taxes. Investors opting out of the settlement can still pursue individual claims.

The two firms agreed to pay plaintiffs' legal fees of up to \$30 million as part of the settlement. KPMG, which sold the questionable tax shelters, will cover the bulk of the settlement, while Chicago law firm Sidley Austin, which gave legal advice on the structures, will pay about 20 percent of the settlement.

KPMG admitted criminal wrongdoing in creating the tax shelters and agreed to pay \$456 million in penalties in September, as a grand jury in New York indicted more than a dozen former KPMG executives and a lawyer for Sidley Austin. Former clients have since brought dozen of lawsuits against KPMG.

— WebCPA staff

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