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## TELECOMMUNICATIONS

Deloitte to Be Latest to Settle  
In Accounting ScandalsBy **DIYA GULLAPALLI**

Staff Reporter of THE WALL STREET JOURNAL

April 26, 2005; Page A3

Four of the five biggest names in accounting have resolved class-action litigation or regulatory complaints in recent weeks, in pacts totaling more than \$186 million -- a costly few months for the firms as fallout from the accounting debacles of the late 1990s and early 2000s continues to spread.

Deloitte & Touche LLP is expected to announce today it will pay a \$50 million fine to settle Securities and Exchange Commission civil charges that it failed to prevent massive fraud at cable company Adelphia Communications Corp.

In another case, the now-largely defunct accounting firm Arthur Andersen LLP agreed to a \$65 million settlement in a class-action suit by investors in WorldCom Inc. over losses from stocks and bonds of the once-highflying telecommunications company now known as MCI Inc.

These follow a \$22.4 million settlement the SEC reached last week with KPMG LLP related to its audits of Xerox Corp. from 1997 through 2000, and a \$48 million settlement by PricewaterhouseCoopers LLP last month to end class-action litigation over its audit of Safety-Kleen Corp., an industrial-waste-services company that filed for bankruptcy-court protection in 2000.

The only member of accounting's "Big Four" absent from the settlements of the past few weeks is Ernst & Young LLP. But in January it agreed to pay \$84 million to settle a lawsuit in Federal District Court in Boston over its audit work more than a decade ago for the defunct Bank of New England Corp.

Andersen ended its audit business after a 2002 conviction on a federal obstruction-of-justice charge tied to its Enron audits. It still faces civil litigation over them, as well as over audits of Qwest Communications International Inc. and Global Crossing Ltd. Earlier this month, it settled litigation over audits of energy company Dynegy Inc. for \$1 million.

The WorldCom agreement also stipulates that the plaintiffs get 20% of any money that Andersen returns to former partners after wrapping up other litigation.

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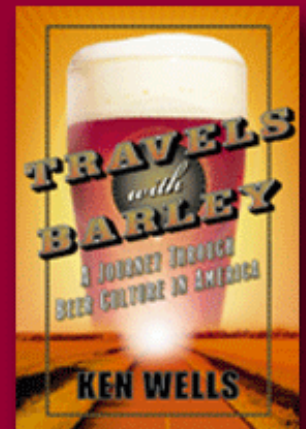
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The settlement was reached after Andersen demonstrated its limited financial resources to the plaintiff, according to a person familiar with the matter. It comes after a month-long trial that centered on Andersen's role in auditing WorldCom from 1999 until 2001. The pact, which received preliminary approval from a federal judge Tuesday, appears to end the possibility of a potentially large jury verdict against the firm that could have prompted a bankruptcy-court filing.

Andersen is expected to say it settled to avoid the risk and cost of continued litigation, denying any wrongdoing, according to a person familiar with the matter. It is expected to maintain that its auditors were deceived by WorldCom managers, the person said.

Andersen is the only remaining defendant in the WorldCom suit. More than a dozen Wall Street firms have agreed to pay about \$6 billion to settle allegations that they failed to adequately examine its financial health selling securities in 2000 and 2001. WorldCom filed for bankruptcy-court protection in 2002. WorldCom's 12 outside directors have agreed to a \$60.8 million settlement in the case, with \$24.8 million out of their own pockets. Last month, WorldCom's former Chief Executive Bernard J. Ebbers was convicted of nine counts of fraud, conspiracy and making false filings with regulators. His lawyers are seeking a new trial.

In Columbia, S.C., last month, PricewaterhouseCoopers reached its \$48 million settlement to end litigation in federal court filed by institutional investors in Safety-Kleen's high-yield, or junk, bonds. Safety-Kleen restated its 1997, 1998 and 1999 financial statements, reducing earnings by over \$500 million. The investors, led by American High Income Trust, claimed that PricewaterhouseCoopers certified false financial statements as part of Safety-Kleen's registration documents for its bond offerings.

The investors also reached a settlement with the company's former outside directors, for \$36 million. Last week, the institutional investors concluded a seven-week jury trial in federal court with a court-ordered judgment of \$200 million against Safety-Kleen's former chief executive officer and chief financial officer.

The PricewaterhouseCoopers payout is consistent with some of its other recent settlements. In the past two years the firm has paid \$50 million to settle a class-action lawsuit involving its audit of Raytheon Co.; \$50 million in a lawsuit filed by Amerco Inc., parent of U-Haul International; and \$54.5 million over alleged travel overbilling in Texarkana, Ark. The firm has denied wrongdoing.

The \$50 million settlement with Deloitte is part of an SEC effort to crack down on "gatekeepers" -- auditors, lawyers and directors who are supposed to be the first line of defense against fraud. A spokeswoman for Deloitte declined to comment. The firm stopped auditing Adelphia in June 2002, when PricewaterhouseCooper replaced it. The pact comes on the heels of the regulators' settlement with KPMG over its Xerox audits.

--Chad Bray of Dow Jones Newswires contributed to this report.

Dow Jones, Reuters

**MCI Inc. (MCIP)**

PRICE	25.40
CHANGE	-0.03
U.S. dollars	4:00 p.m.

**Xerox Corp. (XRX)**

PRICE	13.17
CHANGE	0.02
U.S. dollars	4:01 p.m.

**Qwest Communications International Inc. (Q)**

PRICE	3.62
CHANGE	-0.02
U.S. dollars	4:00 p.m.

**Global Crossing Ltd. (GLBC)**

PRICE	11.83
CHANGE	0.27
U.S. dollars	3:59 p.m.

**Dynegy Inc. Cl A (DYN)**

PRICE	4.10
CHANGE	-0.11
U.S. dollars	4:01 p.m.

**Raytheon Co. (RTN)**

PRICE	39.00
CHANGE	-0.14
U.S. dollars	4:01 p.m.

**Amerco (UHALQ)**

PRICE	22.57
CHANGE	-0.10
U.S. dollars	3/16

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