

Ernst & Young Off the Hook in Securities Fraud Suit

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IKON Office Solutions Inc. paid \$111 million to settle a shareholders' suit that accused the company of overstating its income, but a federal appeals court has now ruled that the same investors don't deserve a penny from the accounting firm of Ernst & Young because they simply have no evidence that its audit was performed recklessly.

"There is no reasonable basis in the record to doubt that [E&Y] harbored an honest and well-founded belief in the accuracy of its audit, and, without further substantiating evidence, a jury may not premise a finding of willful or knowing conduct to defraud or recklessness merely by judging between competing but nevertheless sound accounting methodologies," 3rd U.S. Circuit Court of Appeals Judge Morton I. Greenberg wrote.

E&Y was represented by attorneys Lawrence S. Robbins, Gary A. Orseck and Kathryn S. Zecca of Robbins Russell Englert Orseck & Untereiner in Washington, D.C.; Edward M. Posner and William M. Connolly of Drinker Biddle & Reath in Philadelphia; and Jonathan C. Medow and Brian J. Massengill of Mayer Brown & Platt in Chicago.

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