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1999

## Public File Documents Relating to ISB Staff Interpretive Letter Dated 4/9/99

Richard H. Towers

Clifford Brandeis

Independence Standards Board

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*Executive Director*

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*Technical Director*

Susan McGrath, CPA  
*Director*

William J. Cashin Jr., CPA,  
CFA  
*Project Director*

**This staff interpretation, unless otherwise indicated, has not been ratified by the Independence Standards Board, and therefore may not be relied upon with the SEC staff by parties other than those directly involved.**

April 9, 1999

Mr. Clifford Brandeis  
Zukerman Gore & Brandeis  
900 Third Avenue  
New York, NY 10022

Mr. Andre Lesage  
Deloitte & Touche  
1 Place Villemarie  
Suite 3000  
Montreal, Quebec  
Canada H3B4T9

Dear Messrs. Brandeis and Lesage:

This letter is to confirm to you the detailed conclusions which I summarized for you in my March 30 separate telephone calls relating to the “family relationship” independence issues raised in Mr. Brandeis’ letters and related correspondence between February 22 and March 24, 1999. Those calls to you were made after having reached agreement on the conclusions with the appropriate personnel in the Office of the Chief Accountant of the SEC, as Mr. Brandeis had requested.

The following summarizes our understanding of the key facts of this situation as presented in Mr. Brandeis’ letters.

- Ms. MM became a partner in the Montreal Office of Deloitte & Touche Canada (“D&T”) on January 1, 1999, and has since about 1986 been a managerial employee of that office, but has never provided any professional service to any of the entities described below. This office is the “work office” for D&T’s audits of U.S. SEC registrants BCE Inc. (“BCE”) and Hydro-Quebec (“Hydro”).
- A private limited partnership (“the LP”), also located in Montreal, is half owned each by BCE and Hydro. Through a corporate general partner, of which BCE has a majority of 4-3 on the board of directors, BCE controls the LP and therefore consolidates its results in the BCE financial statements, and Hydro accounts for the LP on the equity method. The LP is audited by a different firm – Arthur Andersen.

- For about 6 years, MM has been living together with, but is not married to, Mr. YB. YB has no financial interests in any of these entities, but has had the following employment relationships with them:
  - from June 1 to December 31, 1998 he was associate director of financial planning for the BCE Emergis division of large BCE subsidiary Bell Canada. He was assigned to a specific project involving the financial evaluation of the deployment of high-speed modems, but the project was never launched. He only was involved in this particular project and, therefore, had no opportunity to affect production of the financial statements of Bell Canada or BCE.
  - starting January 1, 1999, YB has been vice president of finance of the LP.
- The approximate relevant financial amounts (presumably in Canadian dollars) Mr. Brandeis has reported for the three companies are :

	Assets	Sales	Pretax Income
LP (amounts projected)	\$70 million	\$150 million	\$8 million
BCE (12/31/97)	\$40 billion	\$33 billion	\$1.4 billion
Hydro (12/31/97)	\$55 billion	\$8 billion	\$786 million

The independence issues we have addressed are the following:

**Issue No. 1** Did this cohabitation relationship impair the independence of D&T with respect to its 1998 audit of BCE?

**Issue No. 2** Does this cohabitation relationship, as described above, impair the independence of D&T with respect to its 1999 audits of either BCE or Hydro?

MM qualifies as a “member” under SEC Regulation S-X, Rule 2-01 (b) for both 1998, as a managerial employee in the work office, and 1999, as a partner. Also, in these circumstances we believe that it is appropriate to apply the spousal independence rules to the cohabitant relationship. Further, we have considered the LP to be a subsidiary of BCE (because of BCE’s control and related consolidation) and as an equity investee of Hydro. Since YB holds no financial interests in any of the three companies, the independence concern focuses on YB’s employment, including whether he might be able to mold the financial statements of the investors as described in the SEC’s Codification of Financial Reporting Policies, Section 602.02.h.

As to **Issue No. 1**, and whether the relationship between MM and YB impaired D&T’s 1998 audit of BCE – It is relevant that YB was employed by the BCE subsidiary’s

division only for seven months, and his role was neither high level nor involved with preparing the financial statements. Based on these facts, we conclude there is no impairment of D&T's independence for 1998.

As to **Issue No. 2**, and whether the relationship between MM and YB impairs D&T's 1999 audit of either BCE or Hydro – There are two important additional factors which need to be considered. First, even though YB has responsibility for the LP financial statements that are included in the investors' financial statements (by consolidation for BCE, and by equity accounting for Hydro), their effects are clearly de minimis to both investors.

In addition, the LP is audited by a different firm – Arthur Andersen – adding an intermediate level of review. Our conclusion below is conditioned on a requirement that the separate auditor of the LP be independent within the meaning of the ISB and SEC rules.

With these mitigating factors, we conclude that this relationship, described above and subject to the one stated condition, has caused no impairment with respect to D&T's 1999 audits of either BCE or Hydro.

The above ISB staff conclusions relate solely to the specific facts and circumstances of this situation, as described in Mr. Brandeis' letters to us and as summarized above. Different facts might lead to different conclusions. Consequently, we recommend that the situation be carefully monitored and be re-evaluated annually or upon any significant change in any of the key facts or in the applicable rules.

We have advised you that the ISB has in process a project on "Family Relationships Between the Auditor and the Client," and that the rules therefore may change in the future. You can monitor the progress of that project through our website ([www.cpaindependence.org](http://www.cpaindependence.org)).

Sincerely,

Richard H. Towers  
Technical Director

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**Index to Public File Documents  
Relating to ISB Staff Interpretive Letter Dated 4/9/99**

ZGB= Zukerman Gore & Brandeis, LLP

1. 2/22/99 (2 p.) ZGB
2. 3/3/99 (2 p.) ISB staff
3. 3/5/99 (3 p.) ZGB
4. 3/8/99 (1 p.) ISB staff
5. 3/9/99 (2 p.) ZGB
6. 3/12/99 (1 p.) ZGB (Redacted)
7. 3/15/99 (2 p.) ISB staff
8. 3/17/99 (2 p.) ZGB
9. 3/22/99 (2 p.) ISB staff
10. 3/24/99 (2 p.) ZGB

Note: Two "hardcopy files" are maintained, one at the ISB offices in New York City, and one at the AICPA Library, Harborside Financial Center, 201 Plaza Three, Jersey City, New Jersey. Copies of the hardcopy file documents may be made for a fee.

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OF COUNSEL  
RAYMOND A. BRAGAR  
PETER D. MORGENSTERN

February 22, 1999

Independence Standards Board  
1211 Avenue of the Americas, 6<sup>th</sup> floor  
New York, New York 10036  
Att: Mr. Rick Towers

Re: Independence Issues

Dear Mr. Towers:

In accordance with my telephone conversations with representatives of the Independence Standards Board, the undersigned is submitting this formal request on behalf of our client, an individual who ("YB"), who is the Vice President of Finance of a private limited partnership (the "Partnership") that is 50% owned by two Canadian-based

publicly traded companies. The facts and circumstances as we understand them, are as follows:

YB has been living with, but is not married to, an individual ("MM") for the past six years. MM became a partner at Deloitte & Touche as of January 1<sup>st</sup> of this year. Deloitte & Touche is the accounting firm that provides the audit services for both of the publicly traded Canadian-based companies that own the Partnership in equal proportions. One of the publicly traded companies, BCE, Inc. ("BCE") is traded on the New York Stock Exchange, has sales of approximately \$33 billion and assets of approximately \$40 billion. The other publicly traded company, Hydro-Quebec ("Hydro") is traded on the New York Stock Exchange, has sales of approximately \$8 billion and assets of approximately \$55 billion. Each of BCE and Hydro have invested approximately \$33 million to form the Partnership, which has sales of approximately \$150 million and assets of approximately \$70 million. Although BCE and Hydro are both audited by Deloitte & Touche, the Partnership is audited by Arthur Andersen.

It is this firm's understanding and belief, after informal discussions with representatives of the Office of the Chief Accountant of the Division of Corporate Finance of the Securities and Exchange Commission in Washington D.C., that, although YB and MM have been living together for six years, and MM has recently become a partner at Deloitte & Touche, Deloitte & Touche nevertheless maintains its independence vis-a-vis the Partnership in accordance with the applicable provisions governing independence of auditors due to the fact that the Partnership has a separate auditor. As a consequence, when auditing BCE and Hydro, Deloitte will incorporate as part of its overall audit for each of these entities the audited financial information provided by Arthur Andersen with respect to the Partnership. Deloitte & Touche will have no influence whatsoever, and its independence will not be jeopardized by the relationship between YB and MM, with respect to the audited numbers of the Partnership, as such audited numbers are being generated solely by another nationally recognized accounting firm which is completely independent from Deloitte & Touche.

It is important in obtaining your guidance as to our firm's interpretation and understanding of the various independence guidelines relating to auditors that we receive not only formal acknowledgment from the Independence Standards Board, but from the Securities and Exchange Commission as well. Consequently, we respectfully request that this written request be forwarded to the appropriate individuals in the Office of the Chief Accountant of the Division of Corporate Finance at the Securities and Exchange Commission in Washington D.C. so that their formal view of this matter can also be obtained.

The undersigned understands that any formal position issued by the Independence Standards Board and the Securities and Exchange Commission is based solely on the facts as presented herein. Any change, modification or other alteration of the facts and circumstances regarding the above-referenced scenario might result in a different

determination regarding independence from either or both the Independence Standards Board and the Securities and Exchange Commission.

Upon your receipt of this letter, please advise the undersigned what you believe will be the time frame when a formal acknowledgment as to the disposition of our client's request for guidance can be received from both the Independent Standards Board and the Securities and Exchange Commission. Finally, should you require any additional information or documentation in connection with the foregoing, please do not hesitate to contact the undersigned.

Very truly yours,

Clifford A. Brandeis

CAB/jk  
Encl.

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March 3, 1999

Mr. Clifford Brandeis  
Zukerman Gore & Brandeis LLP  
900 Third Avenue  
New York, NY 10022

Dear Mr. Brandeis:

As we discussed on Friday, and as offered in your February 22 letter, the ISB staff requests certain additional information, as listed below, in order to address your independence question. Please obtain appropriate responses and send them to us, by both fax and mail, at your convenience.

1. Your letter stated that the Partnership was "private." Please confirm that means it has no SEC filings and that its financial statements are not included in the SEC filings of BCE, Hydro or any other entity.
2. A) In what city is the Partnership headquartered? Do YB and MM live close by? In what cities are BCE and Hydro headquartered? Approximately how far apart is the Partnership from both BCE and

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Chief Executive Officer  
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Director

William J. Cashin Jr., CPA,  
CFA  
Project Director

Hydro?

B) Is primary responsibility for the audits of BCE and Hydro in the D&T offices in their respective areas? Is any significant portion of either the BCE or Hydro audit performed by the office in which MM works?

3. A) Please obtain for both BCE and Hydro, and for the same period (please identify) as the listed sales amounts, approximate amounts for the following:
- (1) Consolidated income from continuing operations before income taxes, and
  - (2) Equity in the Partnership's income from continuing operations before income taxes.

Please confirm that there are no smaller SEC registrant component entities of BCE or Hydro of which the

Partnership is a part. If there are such SEC component entities, please provide the amounts for the same three materiality relationship measures.

4. A) YB is the Partnership Vice President of Finance. Is he also CFO?  
B) Other than directly with respect to his role at the Partnership, is it correct to understand that YB has no role at BCE or Hydro and, specifically, no opportunity to mold their financial statements, nor does he have any significant influence over those two companies?
5. A) Does YB have any "financial interests" (including stock, options, bonds, etc.) in the Partnership or in either BCE or Hydro?  
B) If so: in which companies, what type of interest and are those interests material to YB and MM combined (actual values are not necessary)?
6. Do BCE and Hydro have any other significant business links, other than as to the Partnership? If so, please describe, including as to size.
7. A) Do either BCE or Hydro have or claim any evidence of "control" over the Partnership (as opposed to it sharing control in a classic 50-50 joint venture)?  
B) If possible, determine whether either BCE or Hydro will disclose the Partnership's financial information in their own financial statements.  
C) Does/will the D&T audit of either BCE or Hydro explicitly state in the audit report a reliance on the AA audit of the Partnership?
8. Are we correct in our understanding that MM has no involvement with the provision of any services to any of these three companies or their affiliates?



Sincerely,  
Richard H. Towers

Technical Director

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OF COUNSEL  
RAYMOND A. BRAGAR  
PETER D. MORGENSTERN

March 5, 1999

VIA FACSIMILE TRANSMISSION

VIA U.S. MAIL

Mr. Richard H. Towers  
Technical Director  
Independence Standards Board  
1211 Avenue of the Americas, 6<sup>th</sup> floor  
New York, New York 10036

Re: Our Firm's Written Request of February 22, 1999

Dear Mr. Towers:

In connection with the above referenced matter, this letter is in response to your correspondence to the undersigned of March 3, 1999. For purposes of convenience, the numbered paragraphs set forth below correspond to the numbered paragraphs in your March 3<sup>rd</sup> letter. On behalf of our client, please be advised of the following:

1. The limited partnership is private, has no SEC filings, and its financial statements are not included in any SEC filings for BCE, Hydro or any other entity.
2. (A) All of BCE, Hydro Quebec and the limited partnership are headquartered in Montreal, Canada. MM and YB live in Montreal, Canada.

- (B) The Montreal office of Deloitte & Touche has primary responsibility for the audits of both BCE and Hydro Quebec. MM works in the Montreal office of Deloitte & Touche.
3. (A) The consolidated income from continuing operations before income taxes for each of BCE and Hydro was \$1.4 billion and \$786 million, respectively, for the fiscal year ending December 31, 1997. Each of BCE and Hydro have a fifty percent (50%) equity interest in the limited partnership.
    - (B) There are no smaller SEC registrant components of either BCE or Hydro Quebec of which the limited partnership is a part.
  4. (A) YB is not the chief financial officer of the limited partnership.
    - (B) It is absolutely correct that YB, in his capacity as Vice President of the limited partnership, has no opportunity whatsoever to mold the financial statements of BCE or Hydro and does not have any influence of any nature whatsoever over either BCE or Hydro Quebec.
  5. (A) Other than with respect to his salary, which is paid by the, limited partnership, YB does not have any financial interests of any nature whatsoever, including but not limited to stock, options, etc. in either the limited partnership, BCE or Hydro Quebec.
  6. Other than with respect to the limited partnership, BCE and Hydro Quebec do not have any significant business links.
  7. Please be advised that BCE controls the Board of Directors of the limited partnership, having four members, versus three members for hydro Quebec. It is our understanding that neither BCE nor Hydro will disclose the limited partnership's financial information in their own financial statements. Further, it is also our understanding that Deloitte & Touche's audit of BCE and Hydro will not state that the auditor placed any reliance on Arthur Andersen's audit of the partnership.
  8. The Independence Standards Board is correct in its understanding that MM has no involvement whatsoever in connection with providing any audit services to BCE, Hydro, the limited partnership or any of their respective affiliates.

I believe that the foregoing responds fully to all the questions raised in your letter of March 3<sup>rd</sup>. Please be advised that the undersigned believes that the facts and circumstances of this situation is rather straightforward and it is hopeful that the Independence Standards Board will be able to render its position expeditiously.

Should you have any questions concerning the foregoing, or require any additional information, please do not hesitate to contact the undersigned.

Very truly yours,

Clifford A. Brandeis

CAB/jk  
cc: Jean-Jacques Goulet (via facsimile)

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*Executive Director*

Richard H. Towers, CPA  
*Technical Director*

March 8, 1999

Mr. Clifford Brandeis  
Zukerman Gore & Brandeis LLP  
900 Third Avenue  
New York, NY 10022

Dear Mr. Brandeis:

As per our discussion earlier today, we would appreciate the following additional information with respect to your response of March 5.

1. In what practice area is MM a D&T partner (e.g., audit, tax, MC, etc.)?
2. What is the Partnership's approximate "income from continuing operations before income taxes" (which presumably is shared equally by the two investors)?
3. #4A. states that YB is not the CFO of the Partnership; is there a CFO above YB?
4. #7 states that "BCE controls the Board of Directors of the limited partnership, having four members, versus three for Hydro Quebec." With regard to control and whether the Partnership appears more as a "subsidiary" or as an "investee," why does BCE have a 4-3 board majority rather than a classic 50-50 joint venture allocation? Also, does BCE "consolidate" the Partnership, as opposed to accounting for it on an "equity pick-up" basis? (If BCE does consolidate it, is that because of control, or for some other reason?)
5. #8 states that MM provides no "audit" services to any of the three entities. Does she (or has she recently) provided any professional services to any of the three entities?

Sincerely,

Susan McGrath, CPA  
Director

William J. Cashin Jr., CPA,  
CFA  
Project Director

Richard H. Towers  
Technical Director

---

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OF COUNSEL  
RAYMOND A. BRAGAR  
PETER D. MORGENSTERN

March 9, 1999

VIA FACSIMILE TRANSMISSION

VIA U.S. MAIL

Mr. Rick H. Towers  
Technical Director  
Independence Standards Board  
1211 Avenue of the Americas, 6<sup>th</sup> floor  
New York, New York 10036

Dear Mr. Towers:

In response to your letter dated March 8, 1999 please be advised of the following:

1. MM is an audit partner in Deloitte's real estate division.
2. The Partnership's income from continuing operations before taxes is approximately \$8 million.
3. The Partnership does not have a CFO.
4. BCE has a majority of the Board of Directors, four to three, and as a consequence BCE "consolidates" the Partnership, rather than accounting for the Partnership on an "equity pick up" basis. The reason BCE consolidates is because of their control of the Board of Directors.
5. Please be advised that MN has never provided any services of any nature whatsoever to either BCE, Hydro or the partnership.

It is extremely important to our client that we apprise our client of some sort of time frame when we believe the ISB will be able to resolve this matter. The request for a time frame is not only coming from our client, but from Deloitte & Touche as well. Accordingly, any guidance that you can give us in this regard is greatly appreciated.

Very truly yours,

Clifford A. Brandeis

CAB/jk

cc: Jean-Jacques Goulet, Esq. (via facsimile)

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ZUKERMAN GORE & BRANDEIS, LLP

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March 12, 1999

VIA FACSIMILE TRANSMISSION

VIA U.S. MAIL

Mr. Richard H. Towers  
Technical Director  
Independence Standards Board  
1211 Avenue of the Americas, 6<sup>th</sup> floor  
New York, New York 10036

Dear Mr. Towers:

In accordance with the inquiries that you and Mr. Arthur Siegel raised yesterday during our telephone conversation, please be advised that the partnership is indeed a limited partnership. The general partner is a corporate general partner that is 50% owned by each of BCE and Hydro.

Also enclosed (Redacted) is an opening balance sheet for the limited partnership which commenced operations on January 1, 1999.

Should you or Mr. Siegel have any further questions concerning this matter, please do not hesitate to call me.

Very truly yours,

Clifford A. Brandeis

CAB/jk

cc: Jean-Jacques Goulet, Esq. (via facsimile)



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*Chief Executive Officer  
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**STAFF**

March 15, 1999

Mr. Clifford Brandeis  
Zukerman Gore & Brandeis  
900 Third Avenue  
New York, NY 10022

Dear Clifford:

Thank you for the most recent information in your letter dated March 12. The statement in your letter that the limited partnership commenced operations on January 1, 1999 is a new fact to us, and therefore engenders several additional clarification requests, as follows.

1. A. Did YB just start employment as of 1/1/99, and have no relationship to the LP, BCE or Hydro, or to the GP prior to then?  
B. Does YB perform any services for, or have any other relationship with, the GP, other than through his employment with the LP? If so, please describe.
2. A. Please provide details of the ownership interests in the limited partnership, including what companies or others hold what limited partnership interests.  
B. Your previous letter (in item 7.) stated that "BCE controls the Board of Directors of the limited partnership having four members versus three

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Susan McGrath, CPA  
Director

William J. Cashin Jr., CPA,  
CFA  
Project Director

members for Hydro Quebec.” Please confirm that statement as correct (i.e., that “the Board” previously mentioned did not instead refer to that of the corporate GP).

3. Your earlier letters reported LP amounts (in \$ millions) of: assets – 70, sales – 150, and pretax income – 8.

A. The attachment to your 3/12/99 letter shows assets at December 31, 1998 of (Redacted). How does that (Redacted) relate to the 70?

B. How do the 150 sales and 8 pretax income amounts relate to the new fact

that the LP just commenced business on 1/1/99? For what period, or for what entity (if not for the LP), are those the numbers? If not for the LP, then what are the estimated sales and pretax income of the LP for a for a relevant period (e.g., for all of 1999)?

C. Your February 22, 1999 letter says “The Partnership is audited by Arthur Andersen.” When were they engaged, and have they completed any audits? If they have, please provide a copy of their report and the related financial statements.

4. Please provide the latest available annual financial statements of BCE and Hydro.

Sincerely,

Richard H. Towers  
Technical Director

cc: Deloitte & Touche - Canada

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OF COUNSEL  
RAYMOND A. BRAGAR  
PETER D. MORGENSTERN

March 17, 1999

VIA FACSIMILE TRANSMISSION

VIA U.S. MAIL

Mr. Richard H. Towers  
Technical Director  
Independence Standards Board  
1211 Avenue of the Americas, 6<sup>th</sup> floor  
New York, New York 10036

Dear Mr. Towers:

In response to your correspondence to me please be advised of the following:

- (1) the limited partnership and general partnership were created on January 1, 1999. YB became an employee of the LP on January 1, 1999. Before that YB was employed by a wholly-owned subsidiary of BCE.
- (2) YB does not perform any services for, nor does YB have any other relationship with, the general partner, other than through his employment with the limited partnership.
- (3) BCE owns a 50% interest in the limited partnership and Hydro also owns a 50% interest in the LP.
- (4) The reference to the fact that BCE controls the Board of the Directors is the Board of Directors of the general partnership. The limited partnership has no Board of Directors.
- (5) The attachment to the March 12, 1999 letter states the opening balance sheet of the limited partnership is as of January 1, 1999. The numbers you are referring to in your question 3 relate to the forecast of the limited partnership at the end of its first year of operations, through December 31, 1999. The amount of (Redacted) represents the assets on January 1, 1999 and the amount of 70 refers to the estimated amount of assets (after depreciation) as of December 31, 1999.
- (6) The amount of sales and pre-tax income relate to the forecast of the limited partnership at the end of its first year of operations. Further there is no activity in the general partnership.



- (7) Arthur Anderson was engaged by the limited partnership in January 1999. They will audit the limited partnership's financials at the end of the first year of operations.
- (8) Finally, please be advised each of the BCE and Hydro financial statements are available at their web site at the following addresses:

BCE:

[http://www.bce.ca/e/investor/goto.shtml\\$reports/annual?content.html](http://www.bce.ca/e/investor/goto.shtml$reports/annual?content.html)

Hydro: <http://www.hydroquebec.com/publications/annualreport/1997/index.html>

Very truly yours,  
Clifford A. Brandeis

CAB/jk

cc: Jean-Jacques Goulet, Esq. (via facsimile)

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*Senior Partner*

March 22, 1999

Mr. Clifford Brandeis  
Zukerman Gore & Brandeis  
900 Third Avenue  
New York, NY 10022

Mr. Andre Lesage  
Deloitte & Touche LLP  
1 Place Villemarie  
Suite 3000  
Montreal, Quebec  
Canada H3B4T9

Dear Messrs. Brandeis and Lesage:

In Mr. Brandeis' letter dated March 17 there was a statement in Item (1) that "Before that YB was employed by a wholly-owned subsidiary of BCE." This is a new fact to us and raises the additional following questions. Would either

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Richard H. Towers, CPA  
Technical Director

Susan McGrath, CPA  
Director

William J. Cashin Jr., CPA,  
CFA  
Project Director

of you please respond to these questions by fax to us at 212-596-6137.

1. In Mr. Brandeis' February 22 letter, he stated that "MM became a partner at Deloitte & Touche as of January 1<sup>st</sup> of this year." Was she newly hired as a "direct admission" partner at that date? If not, before that date had she been a "professional employee having managerial responsibilities" in the Montreal Office (or other office of the firm which participates in a significant portion of the BCE audit), and if so, for about how long?
2. If the answer to 1. above is other than that MM was a direct admission partner at 1/1/99 without previous employment at D&T, please also respond to the following questions relating to YB's employment by BCE for the last three years:
  - A. For which subsidiary (ies) did he work?
  - B. Approximately how large was this subsidiary (and any others at which he worked), as to assets, sales and pre-tax income (i.e., the same three "materiality" factors previously discussed for the other entities)?
  - C. What was his title?
  - D. Please describe his functions (in each role he held) and their degree of audit sensitivity, with focus on financial matters so as to allow an evaluation of whether his position gave him "the opportunity to mold the shape of the financial statements.
3. Also, the Hydro website reports an LP "Connexim." Are we correct in assuming that this is the LP referred to previously in our correspondence, and that its primary purpose is to manage the internal telecommunications of BCE and Hydro and that it likely also will seek outside customers? If this is not correct, please provide relevant information about the operation of the limited partnership.

Sincerely,

Richard H. Towers  
Technical Director

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OF COUNSEL  
RAYMOND A. BRAGAR  
PETER D. MORGENSTERN

March 24, 1999

VIA FACSIMILE TRANSMISSION

VIA U.S. MAIL

Mr. Richard H. Towers  
Technical Director  
Independence Standards Board  
1211 Avenue of the Americas, 6<sup>th</sup> floor  
New York, New York 10036

Dear Mr. Towers:

In response to your correspondence to me please be advised of the following:

- (1) Prior to January 1, 1999, MM was a professional employee having managerial responsibilities in the audit department of the Montreal office. MM has been an employee of Deloitte & Touche since 1986, but has only had managerial responsibilities for the past six years. While employed by Deloitte & Touche, she has not been involved with any of the parties or their affiliates.
- (2)
  - (a) YB was hired by Bell Canada on June 1, 1998. He had not previously been involved with any of the parties or their affiliates.
  - (b) Bell Canada's financial information is as follows:  
Assets: \$14.7 billion  
Sales-. \$8.6 billion  
Income: \$0.8 billion
  - (c) Associate director - financial planning
  - (d) YB worked for a division of Bell Canada called BCE Emergis and was appointed on a specific project involving the financial evaluation of the deployment of high-speed modems. This project was never launched. YB worked on the financial forecast associated with this potential deployment. YB was only involved

in this particular project and therefore had no opportunity to affect the production of the financial statements.

- (3) Your statement is correct, and it is also true that the limited partnership will seek outside customers.

Very truly yours,

Clifford A. Brandies

CAB/jk

cc: Jean-Jacques Goulet, Esq. (via facsimile)