Lead Plaintiff Private Asset Management ("Lead Plaintiff") and plaintiffs Doyle G. McClain and Wayne Gardner (together with Lead Plaintiff, "Plaintiffs"). by their attorneys, allege the following based upon knowledge with respect to their own acts, and upon information and belief with respect to other facts obtained through an investigation made by and through their counsel, including a review and analysis of the United States Securities and Exchange Commission ("SEC") filings by Interpublic Group of Companies, Inc. ("Interpublic" or the "Company"). as well as regulatory filings and reports, news articles, securities analyst reports, press releases and other public statements issued by the Company or its representatives, media reports about the Company, and interviews of former Interpublic employees and other persons with knowledge. Except as alleged herein, the underlying information concerning Defendants' misconduct and the particulars thereof are not available to Plaintiffs and the public and lie within the possession and control of Defendants and other Interpublic insiders. Based upon the
substantial facts already uncovered, and alleged herein, Plaintiffs believe that substantial additional
evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for
discovery.

NATURE OF THE ACTION

1. This is a federal securities class action brought under Sections 11 and 15 of the
Securities Act of 1933 (the "Securities Act"), 15 U.S.C. §§ 77k and 77o, Sections 10(b) and 20(a) of
the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and the
rules and regulations promulgated thereunder by the SEC, including Rule 10b-5, 17 C.F.R. § 240.10b-
5. The claims under the Exchange Act are brought on behalf of all persons and entities (the "Class")
who purchased or otherwise acquired Interpublic common stock on the open market between October
28, 1997 and October 16, 2002, inclusive (the "Class Period"). The claims under the Securities Act
are brought on behalf of all persons and entities who acquired shares of Interpublic’s common stock in
exchange for their shares of common stock of True North Communications, Inc. ("True North")
pursuant to Interpublic’s Form S-4 registration statement filed on April 19, 2001 and amended
registration statement filed on May 9, 2001 (collectively, the "Registration Statement") in connection
with the proposed stock-for-stock acquisition of True North by Interpublic (the "True North
Acquisition").

2. Throughout the Class Period, Defendants (defined below) engaged in a scheme to
artificially boost the Company’s reported earnings by directing executives at Interpublic’s subsidiaries,
primarily those within the Company’s marquee advertising agency, McCann-Erickson WorldGroup
(“McCann”), to overstate reported revenues and understate reported expenses. The accounting
manipulations were so pervasive that McCann employees openly joked that McCann’s slogan, “The
Truth Well Told,” should have been “The Truth Well Told - but not in financial reporting.”

3. This scheme began in 1997 under the direction of defendant John J. Dooner, Jr.
(“Dooner”), the Chief Executive Officer (“CEO”) of McCann from 1995 through March of 2000.
Dooner reported directly to defendant Phillip H. Geier, Jr. (“Geier”), the CEO and the chairman of the
board of directors (“Chairman”) of Interpublic at all relevant times until he retired and was succeeded in
those positions by defendant Dooner in December of 2000.

4. Defendants understood that a failure to meet the earnings forecasts of securities analysts
necessarily would have meant a decline in the Company’s stock price. According to several former
Interpublic employees, by 1997 with the Company’s revenues lagging, Defendants resorted to various
accounting manipulations designed to overstate revenues and understate Interpublic’s expenses in order
to maintain the appearance of continued earnings growth. According to Interpublic’s final restatement
issued December 6, 2002, during the years 1997 through 2001 Defendants overstated the Company’s
operating income by an average of $22.7 million per year and net income by an average of $18.7
million per year.

5. While Defendants’ accounting manipulations were designed to be inconspicuous to
avoid raising suspicion, the effect on the Company’s reported income was material and allowed
Interpublic to meet or beat securities analysts’ consensus earnings estimates during the Class Period. In
an effort to insulate themselves from the wrongdoing, Defendants made sure that the accounting
manipulations were carried out at the lower levels of the Company’s structural hierarchy and not at the holding company level where the financial results of Interpublic’s numerous subsidiaries were consolidated and where the Company’s outside auditors focused their auditing efforts.

6. The appearance of strong earnings that met or exceeded consensus estimates helped the Company’s stock price climb above $50 per share in late December of 1999 and allowed Interpublic to use its common stock as currency in negotiating and consummating several multi-million dollar acquisitions, including the True North Acquisition valued at $2.1 billion. In addition, while the Company’s stock was trading at prices artificially inflated by the overstatement of Interpublic’s financial results, certain of the Individual Defendants (defined below) sold a total of 586,849 shares of their personally held Interpublic common stock for proceeds in excess of $26 million. During the Class Period, other Company insiders sold an additional 841,653 shares of Interpublic for proceeds in excess of $40 million.

7. In the wake of the discovery of accounting-related frauds at several high profile companies, including Enron, WorldCom, and Tyco, and the passage of the Sarbanes-Oxley Act in July 2002, which, inter alia, reformed the oversight of public company auditing and instituted a range of tough new penalties for fraud and other financial reporting violations, Defendants came under increased pressure to discontinue and publicly disclose some of their historical accounting manipulations.

8. After announcing on August 5, 2002 that it would be delayed in releasing its 2002 second quarter results, Interpublic disclosed for the first time on August 13, 2002 that due to accounting improprieties, which were identified as a result of “procedures recently put in place by
management," the Company overstated its previously issued financial results for 1997 through the first quarter of 2002 by $68.5 million. Defendants falsely stated that they had fully evaluated the extent of the problem, and the size of problem, and what steps were necessary to prevent recurrence. Further, Defendants falsely assured investors that the accounting improprieties were largely isolated to one agency, in one region, and that the $68.5 million was the total charge and that the accounting effects were final.

9. Despite Defendants’ August 13, 2002 reassurance that they had fully evaluated the extent and size of the accounting improprieties, after the market closed on October 16, 2002, Interpublic disclosed that the restatement amount would be in the $120 million range, nearly double the amount first announced on August 13th as the “final” restatement total. Defendants also announced that the Company expected to report earnings per share (“EPS”) of $0.08 to $0.10 in the third quarter ended September 30, 2002, well below the Street consensus of $0.28, and full year 2002 earnings in the range of $0.85 to $0.90 per share, which was significantly lower than the Company’s previous forecast of $1.25 to $1.35 per share. Defendants stated that the Company would release its 2002 third quarter results on November 13th.

10. Following the October 16, 2002 disclosure, the price of the Company’s common stock closed at $11.44 on October 17, 2002, a $4.86, or 30%, decline per share from the previous day’s close, and a staggering $46.62, or 80%, decline per share from the Company’s Class Period high of $58.06 reached on December 17, 1999.

11. In the wake of the October 16, 2002 announcement, McCann’s worldwide Chief
Financial Officer ("CFO"), Salvatore LaGrea, abruptly resigned.

12. On November 13, 2002, Defendants did not release Interpublic’s 2002 third quarter results as promised, but instead announced a further increase in the amount by which the Company’s previously issued financial results would be restated. Specifically, Interpublic stated that the “final amount of the restatement” was $181.3 million, $61 million more than announced less than one month earlier. The Company also announced that it would “avail itself of a five-day extension to the November 14 deadline for filing its Form 10-Q report to allow the company time to finalize the impact of the restatement on previously issued quarterly and annual financial statements” and assign “portions of the restatement to the appropriate prior reporting periods.”

13. In the Company’s Form 10-Q filed with the SEC on November 19, 2002 for the period ended September 30, 2002, Interpublic disclosed that the final restatement included an overstatement of the Company’s 2002 second quarter operating income by $9.6 million and net income by $5.7 million, financial results which were first reported on August 14, 2002. Interpublic also disclosed that the Company’s outside auditors, PriceWaterhouseCoopers ("PwC"), had found “material weaknesses” relating to the Company’s processing and monitoring of intra-company accounts. In the Form 10-Q, defendants Dooner and Orr also admitted to “certain other deficiencies associated with a lack of balance sheet monitoring.”

14. Following the close of the Class Period, Defendants indicated to analysts and the press that the accounting discrepancies were the result of “irregularities,” or fraud, and that the perpetrators had been fired:
- "IPG surprised Wall Street last week by revealing yet another round of accounting irregularities. There is now a crisis in confidence with the IPG management (led by Chairman and CEO John Dooner). The key question is what will the board do to restore confidence -- how do you know whether there will be another (accounting irregularity) around the corner" (Delaney Report, 10/21/02);

- "When the Interpublic Group of Companies announces its third-quarter earnings on Wednesday, Wall Street . . . is expected to learn that the advertising giant’s accounting irregularities are more extensive than had been feared just four weeks ago . . . The amount of the latest restatement could not be determined, as the company’s internal investigation continues to scrutinize thousands of invoices at McCann Erickson’s European Division" (New York Times, 11/11/02);

- "The previous restatement was followed by the abrupt exit of World Group CFO Sal LaGreca" (Adweek, 11/11/02);

- "Mr. Orr described the investigation as having expanded to include two Big Four accounting firms, two law firms and visits to 50 countries, requiring auditors to expend 'tens of thousands of man-hours' looking at thousands of documents related to interagency accounting irregularities involving scores of units of McCann" (New York Times, 11/14/02);

- "Interpublic said two executives had been sacked as a result of the accounting problems, including the chief financial officer of the McCann-Erickson office" (Financial Times (London) 11/14/02);

- "Interpublic, which had earlier acknowledged accounting irregularities at the European unit of its largest agency, disclosed the new problems yesterday . . . Interpublic said that it was 'cooperating fully with the SEC inquiry' which was not entirely unexpected because of the size of the restatement and the shifting estimates of how large it would be. The restatement is mostly a result of irregularities from improperly accounted expenses at the European operations of the McCann-Erickson World Group . . . The executives at Interpublic have been under fire since August, when they initially disclosed accounting irregularities" (New York Times, 11/20/02);

- "Most industry executives said they were amazed at how long the accounting irregularities went undetected" (Chicago Tribune, 11/20/02); and
For one thing, other statements that Interpublic had made before, about how long the irregularities had taken place without detection, were amended to indicate they had gone on not from 1997 to 2001 but 1996 to the second quarter of 2002.” (Haymarket Publishing Services, Ltd., 11/29/02).

(Emphasis added). In the accounting profession, the term “irregularities” is used to describe intentional misstatements in financial statements, as distinguished from inadvertent “errors.” See Statement in Auditing Standards (“SAS”) No. 53.

15. Defendants’ repeated references to “irregularities,” their purposely obscure description of the accounting improprieties that led to Interpublic’s restatement, as well as the abrupt termination of the responsible employees support the inference that Interpublic identified intentional misstatements and fraud as the basis for the $181 million restatement.

16. In addition to the sharp decline in Interpublic’s stock price, the revelation of Defendants’ accounting fraud had serious repercussions for the Company and its shareholders. In exchange for its lenders’ waivers of certain provisions contained in the Company’s revolving credit facilities and in certain of its term loan agreements, the Company agreed to pay its lenders increased interest rates and commitment fees. Moreover, the Company and its lenders agreed to amend their lending agreements by January 5, 2003 to limit the Company’s ability “(i) to make acquisitions or investments, (ii) to make capital expenditures, (iii) to declare or pay dividends and (iv) to repurchase shares or other debt securities.” In the wake of the restatement announcement, the SEC also began an informal inquiry of the Company’s accounting practices, which is ongoing, and the U.S. Internal Revenue Service has indicated its intentions to challenge some of the Company’s positions and is examining its federal tax returns for 1994 through 1996.
17. Defendants' successive upward revisions of the amount by which Interpublic's previously issued financial results were overstated caused securities analysts to question the credibility of Interpublic's management and to wonder if more restatements were on the horizon. More importantly, the Company's disclosures revealed that Defendants had knowingly or recklessly violated basic Generally Accepted Accounting Principles ("GAAP") in presenting the Company's Class Period financial results to investors.

18. According to former Interpublic employees, throughout the Class Period there existed within Interpublic a corporate culture and leadership that permitted and required lower level executives to cook the Company's books. These former Interpublic employees state that the announced $181.3 million restatement represents only a fraction of the Company's historical overstatement of its financial results.

**JURISDICTION AND VENUE**

19. This Court has jurisdiction of this action pursuant to Section 27 of the Exchange Act [15 U.S.C § 78aa], and 28 U.S.C. §§ 1331 and 1337.

20. Venue is properly laid in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b) and (c). The acts and conduct complained of herein, including the preparation, issuance and dissemination of materially false and misleading information to the investing public, occurred in substantial part in this District.

21. In connection with the acts and conduct alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including the mails and
telephonic communications and the facilities of the New York Stock Exchange (the “NYSE”), a national securities exchange.

PLAINTIFFS

22. Lead Plaintiff purchased Interpublic common stock during the Class Period, as set forth in its certification previously filed with the Court, and was damaged thereby.

23. By Order of the Court dated November 15, 2002, Lead Plaintiff was appointed as lead plaintiff in this class action.

24. In connection with the True North Acquisition, plaintiffs Doyle G. McClain and Wayne Gardner acquired Interpublic common stock issued pursuant to the Registration Statement in exchange for their shares of True North common stock and were damaged thereby, as set forth in their certifications attached hereto as Exhibit A.

DEFENDANTS

25. Defendant Interpublic is a Delaware corporation with its principal executive offices at 1271 Avenue of the Americas, New York, New York. Interpublic describes itself as a group of advertising and specialized marketing and communication services companies with offices and other affiliations in more than 130 countries. Shares of the Company’s stock were traded in a highly efficient market on the NYSE under the ticker symbol “IPG” at all relevant times. As of March 25, 2002, there were 380,213,714 outstanding shares of Interpublic common stock.

The Individual Defendants

26. Defendant Phillip H. Geier, Jr. (“Geier”) was, at all relevant times, the Chairman and

27. Defendant John J. Dooner, Jr. ("Dooner") has served as the Company's Chairman, President, and CEO since December 15, 2000. Prior to that time, he was President and Chief Operating Officer of Interpublic from April 1, 2000 through December 14, 2000. Defendant Dooner was Chairman and CEO of Interpublic's wholly owned subsidiary McCann-Erickson WorldGroup from 1995 through March 2000, and previously was CEO of McCann-Erickson Advertising Worldwide from 1994 to 1995. Dooner has also been a director of Interpublic since 1995. During the Class Period, Dooner signed, personally or by an attorney-in-fact, the Company's false and misleading Forms 10-Q for the periods ending March 31, 2001, June 30, 2001, September 30, 2001, March 31, 2002 and June 30, 2002; the Company's Forms 10-K for the years ending December 31, 1997, 1998, 1999, 2000 and 2001; and the Registration Statement.

Company’s Forms 10-K for the years ending December 31, 1997 and December 31, 1998.

29. Defendant Sean F. Orr ("Orr") has served as Interpublic’s Executive Vice President and CFO since June 1999 and has been a director of Interpublic since February of 2000. During the Class Period, defendant Orr signed, personally or by an attorney-in-fact, the Company’s false and misleading Forms 10-Q for the periods ending March 31, 2000, June 30, 2000, March 31, 2001, September 30, 2001, March 31, 2002, and June 30, 2002; the Company’s Forms 10-K for the years ending December 31, 1999, December 31, 2000 and December 31, 2001; and the Registration Statement.

30. Defendant Joseph M. Studley ("Studley") was, at all relevant times, Interpublic’s Vice President and Controller until January 1, 1999. During the Class Period, defendant Studley signed, personally or by an attorney-in-fact, the Company’s false and misleading Forms 10-Q for the periods ending March 31, 1998 and June 30, 1998; and the Company’s Form 10-K for the years ended December 31, 1997.

31. Defendant Frederick Molz ("Molz") was Interpublic’s Vice President and Controller from January 1, 1999 until June 2001, when he became Interpublic’s Vice President-Financial Planning and Analysis. During the Class Period, defendant Molz signed, personally or by an attorney-in-fact, the Company’s false and misleading Forms 10-Q for the periods ending June 30, 1999, September 30, 1999 and September 30, 2000; the Company’s Forms 10-K for the years ending December 31, 1998, December 31, 1999 and December 31, 2000; and the Registration Statement.

32. Defendant David I.C. Weatherseed ("Weatherseed") replaced defendant Molz as
Interpublic’s Vice President and Controller on June 18, 2001 and served in that capacity until approximately December 2001. During the Class Period, defendant Weatherseed signed, personally or by an attorney-in-fact, the Company’s false and misleading Form 10-Q for the period ending June 30, 2001.

33. Defendant Richard P. Sneeder (“Sneeder”) has served as Interpublic’s Vice President and Controller since December 2001. As a result of the True North Acquisition, defendant Sneeder joined Interpublic in June, 2001. Prior to that time he served as True North’s Vice President and Controller from January 1999 to June 2001. During the Class Period, defendant Sneeder signed, personally or by an attorney-in-fact, the Company’s false and misleading Form 10-K for the year ending December 31, 2001.

34. Defendants Geier, Dooner, Beard, Orr, Studley, Molz, Weatherseed, and Sneeder are collectively referred to herein as the “Individual Defendants.” The Individual Defendants and Interpublic are collectively referred to herein as “Defendants.”

35. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false or misleading information conveyed in the Company’s public filings and statements in press releases and other publications, as alleged herein, was the collective action of this narrowly defined group of defendants. The Individual Defendants were involved or participated in drafting, producing, reviewing and/or disseminating the false and misleading statements alleged herein, and because of their positions with the Company, controlled and or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts. The Individual
Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Moreover, each of the Individual Defendants, by virtue of his Board membership and/or executive and managerial position with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest level, and was privy to confidential proprietary information concerning the Company, its business and operations, and its accounting policies and controls, or lack thereof.

36. The statements made by the Individual Defendants, as outlined below, were materially false and misleading when made. The true financial and operating condition of the Company, which was known or recklessly disregarded by the Individual Defendants, remained concealed from the investing public throughout the Class Period. The Individual Defendants, who were under a duty to disclose those facts, instead misrepresented or concealed them during the relevant period herein.

37. The Individual Defendants, as officers and/or directors and controlling persons of a publicly-held company, had a duty to promptly disseminate accurate and truthful information with respect to the Company's operations, financial results, and financial condition, to correct any previously issued statement from any source that had become untrue, so that the market price of the Company's publicly traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these requirements and obligations.

38. Defendants knew or recklessly disregarded that the misleading statements and
omissions complained of herein would adversely affect the integrity of the market for the Company’s stock and would cause the price of the Company’s common stock to become artificially inflated. Each of the Individual Defendants acted knowingly or in such a reckless manner as to constitute a fraud and deceit upon Lead Plaintiff.

SUBSTANTIVE ALLEGATIONS

Background

39. Interpublic is an advertising and marketing holding company with hundreds of subsidiaries located throughout the world. Interpublic itself has no operating results, and the financial results that it reports to the investing public are the consolidated results of its numerous subsidiaries.

40. Following the June, 2001 True North Acquisition, Interpublic became the second-largest global advertising holding company by revenues. The Company’s largest competitors are industry leaders Omnicom Group, Inc. (US) and WPP Group (UK). Interpublic provides a full spectrum of traditional advertising and marketing services. Major clients include General Motors, Unilever, Microsoft, Coca-Cola, and Lucent Technologies. Interpublic’s key international agency brands are McCann, Lowe & Partners, and FCB. Marketing services brands include NFO (market research), Octagon (sports marketing), Jack Morton (meetings and events), and Weber Shandwick (public relations).

41. On July 10, 2001, following completion of the True North Acquisition, Interpublic formally announced a realignment of its businesses into four operating units – McCann, FCB Group, The Partnership, and Advanced Marketing Services. In the second quarter of 2002, the Company
carved out certain operations related to certain sports and event planning activities and combined them to form a fifth global operating group, IPG Sports and Entertainment.

**McCann Reporting Structure**

42. The information in paragraphs 42 through 68 was provided by a former vice president of finance and administration for McCann Colombia who was employed by McCann from January 1996 through July 2001 ("Area CFO"). During that time, Area CFO served as country CFO (defined below) for Colombia and also as area CFO (defined below) for the area comprising Colombia, Ecuador, and Peru. Prior to January 1996, Area CFO served in Interpublic’s international audit group beginning in 1988.

43. McCann is Interpublic’s largest advertising agency subsidiary, contributing approximately 40% - 50% of Interpublic’s gross revenues. McCann operates in 120 countries throughout the world and maintains its worldwide headquarters in New York, New York. At the worldwide level, McCann has a CEO, CFO, and controller (referred to herein as "worldwide CEO," "worldwide CFO," and "worldwide controller").

44. In each country in which McCann operates, McCann has executives who perform the functions of a CEO and CFO for that country’s McCann office (referred to herein as "country CEO" and "country CFO").

45. The countries in which McCann operates are grouped into areas comprising three to seven countries. In each McCann area, McCann has executives who perform the functions of a CEO and CFO for that area (referred to herein as "area CEO" and "area CFO"). The areas make up
McCann’s four regions -- (1) Europe, Middle East, and Africa; (2) Latin America and the Caribbean; (3) Asia-Pacific; and (4) North America -- and each region has the equivalent of its own CEO and CFO (referred to herein as “regional CEO” and “regional CFO”). The area CEOs and the regional CFO, who are of the same rank within the Company’s hierarchy, report directly to the regional CEO. The regional CEOs in turn report directly to McCann’s worldwide CEO.

46. At the national, regional, and worldwide levels of McCann there is a controller (referred to herein as “country controller,” “regional controller,” and “worldwide controller,” respectively) who reports directly to that level’s CFO and is responsible for putting together monthly, quarterly, and annual financial results. The worldwide controller consolidates the financial results of McCann’s four regions and transfers McCann’s consolidated numbers to Interpublic’s controller who is responsible for consolidating the financial results of all of the Company’s operating units.

47. In September of every year, McCann’s worldwide CEO and CFO met in Miami with McCann’s regional CEOs and CFOs to discuss and set the operating profit budget for each McCann region for the upcoming year (the “worldwide meeting”).

48. In November of every year, following the worldwide meeting, McCann’s regional CEOs and CFOs met with the area CEOs for their respective regions to set the operating profit budget for each area and country within the region for the upcoming year (“regional meeting”). At the regional meeting, each area CEO was provided with a document that designated the operating profit budget for his area, which the area CEO was required to sign. The area CEOs in turn submitted the operating profit budgets to the country CEOs and CFOs within the area. Thus, by December of each year the
country CEOs and CFOs had the operating profit budget for their respective countries for the upcoming year which they were expected to meet or exceed.

49. Every month, area CFOs were required to report their area’s year-to-date income statement. According to Area CFO, the area CFOs reported their year-to-date income statements directly to McCann’s worldwide headquarters in New York only if the income statement for that month matched the budgeted numbers assigned to them. If the year-to-date income statements did not match the budgeted numbers, the area CFOs were required to send the income statements to the regional headquarters rather than directly to New York.

50. After the end of each year, each McCann office was required to pay an annual dividend, representing 80% of that office’s net income, to Interpublic (the “Annual Dividend”).

McCann’s Offices Were Directed To Inflate Their Reported Operating Results

McCann Latin America

51. According to Area CFO, beginning in 1997, McCann’s Latin American regional and area CEOs and CFOs came under increased pressure from Interpublic and McCann’s leadership to meet the budgeted operating profit numbers at all costs, even if that required overstating reported revenues and understating reported expenses.

52. According to Area CFO, the accounting improprieties disclosed at the end of the Class Period, $101 million of which were attributed to McCann Europe, were representative of much larger accounting manipulations that occurred during the Class Period throughout McCann’s worldwide operations. In fact, Area CFO was terminated in July 2001 as a result of his refusal to artificially inflate
the operating results for McCann Colombia and his area as demanded by his superiors.

53. Area CFO stated that from 1997 through October 2000, the operating results he sent to McCann's worldwide controller, Scott Richter ("Richter"), who reported to worldwide CFO Sal LaGreca ("LaGreca"), did not correspond to the true operating results of McCann Colombia and were materially inflated to match the budgeted operating profit dictated to him by his regional CEO, Jens Olesen ("Olesen"), and regional CFO, Eduardo Steiner ("Steiner"). To do otherwise, was "career suicide," according to Area CFO. The net result of these accounting manipulations was that in certain years during the period 1997 through 2001 operating profit was overstated by as much as 500%.

54. While Area CFO tried to calculate McCann Colombia and his area's financial results accurately and in accordance with GAAP, his efforts were thwarted at every step by his superiors, whose primary objective was to make the reported financial results match the budgeted results, regardless of accuracy.

**Profit on sale of McCann Colombia's office building overstated**

55. For example, when McCann Colombia's office building was sold in December of 1997 (the sale of the building had been planned since 1996), Area CFO's superiors pressured him to use an artificially lower cost basis for the building so that McCann could recognize and report $350,000 more in profit on the sale of the building. In January of 1998, when Area CFO was calculating the year-end financial results for McCann Colombia, he sent an e-mail to Richter explaining that McCann worldwide general accountant, Kelly Hughes, who reported to Richter, had made a mistake in her calculations of the cost basis of the building; she had not included the $350,000 cost basis of the land on which the
building was located. Despite the detection of the error, Richter insisted that Area CFO use the lower cost basis, because the extra $350,000 in operating profit was already included in McCann Colombia’s budgeted operating profit for 1997. Steiner also called Area CFO and pressured him to use $1.45 million as the cost basis of the building, rather than $1.8 million. Area CFO asked his superiors to put their orders to overstate McCann Colombia’s revenues in writing. They refused.

**Reported operating results overstated to match budget**

56. According to Area CFO, McCann Colombia’s actual annual operating results were audited by PwC’s Colombia office. After the actual operating results were audited, they were sent to Colombia’s equivalent of the SEC, as required by Colombian law. McCann Colombia’s Annual Dividend and taxes were paid based on McCann Colombia’s actual results.

57. According to Area CFO, the disparity between McCann Colombia’s actual operating results and the operating results reported to McCann worldwide headquarters grew each year from 1997 through 2000. In 1998, Area CFO spoke with his boss -- area CEO for Colombia, Ecuador, and Peru, Paul Mejia (“Mejia”), who was also the country CEO for Colombia -- about this growing disparity and the problems the false reporting posed. In 1999, Area CFO presented Mejia with a chart that depicted the growing gap between the actual and reported operating results for McCann Colombia. The chart showed that the gap would be very large in 2000 due to several adverse business trends.

58. In mid-October of 2000, Area CFO traveled to McCann Latin America’s regional headquarters in Brazil to meet with Steiner. At the meeting, Area CFO told Steiner that despite
Steiner's orders, he refused to send inflated financial results to McCann's worldwide headquarters, and that for the year-to-date income statement for the period ended September 30, 2000, he intended to revise the year-to-date results downward in order to close the gap between the actual and reported operating results for McCann Colombia. Steiner told Area CFO that if Area CFO refused to send inflated financial results in line with the budgeted operating profit for McCann Colombia, Area CFO would be terminated.

59. Area CFO's mid-October 2000 meeting with Steiner was followed by an e-mail from Olesen to Mejia which stated: "You must make the numbers." This email was forwarded to Area CFO with the following instruction: "For your eyes only. please delete after reading." In addition, Steiner instructed the regional controller for Latin America to submit the inflated year-to-date numbers for McCann Colombia, which Area CFO was unwilling to submit. Steiner also discussed Area CFO's attempt to correct the financial reporting for McCann Colombia with McCann's worldwide CFO, Scott Richter.

60. According to Area CFO, for 2000, McCann Colombia had a net loss of $250,000. In January of 2001, Area CFO submitted McCann Colombia's actual year 2000 financial results to PwC (Colombia) for auditing. In April 2001, after PwC completed its audit, Area CFO, the assigned PwC (Colombia) partner, and the general accountant for McCann Colombia signed McCann Colombia's 2000 annual report in preparation for its submission to the Colombian SEC.

61. Before McCann Colombia's audited 2000 annual report was submitted to the Colombian SEC, Steiner called Area CFO and instructed him not to file the report. Steiner explained
that McCann Colombia had to report at least $750,000 in net income so that McCann Colombia could pay its Annual Dividend to Interpublic. Steiner instructed Area CFO to tell PwC (Colombia) that there would be “new” numbers for 2000, but Area CFO refused to do so. Area CFO also refused to pay dividends and taxes based on inflated financial results because such a practice would de-capitalize his agency. Following this conversation, Steiner sent two controllers, Josue Dimario and Rony Blinder to Colombia to find “opportunities” to get McCann Colombia’s net income to $750,000 from a net loss of $250,000. Dimario and Blinder pressured Area CFO to cook McCann Colombia’s books in order to reach the budgeted operating profit, but Area CFO refused. Ultimately, no modifications were made to the 2000 financial results that were submitted by McCann Colombia to the Colombian SEC, and Area CFO was terminated thereafter in July 2001.

62. In June 2001, prior to his termination, Area CFO visited his friend Anthony Fiumefreddo, the controller for McCann USA, at McCann’s New York headquarters. While there, Area CFO overheard a conversation between Richter and Fiumefreddo regarding a plan to understake Interpublic’s operating costs by including certain of these operating costs in the non-recurring restructuring charges that Interpublic planned to take in 2001. Interpublic reported $645.6 million in purported restructuring charges for 2001.

**Area CFO exposed the fraud in McCann Latin America**

63. After receiving notice of his termination in July 2001, Area CFO sent an e-mail to LaGreca with copies to defendant Orr, Nick Camara (Interpublic’s general counsel), and Susan Frost (head of human resources for McCann’s non-North American employees) outlining the accounting
manipulations and fraudulent earnings management practices detailed above.

64. Following the e-mail, Area CFO met with Carlos Ramos ("Ramos"), Interpublic’s general auditor, and George Racine ("Racine"), McCann’s worldwide controller and former regional CFO for North America, to discuss and review documents that evidenced the accounting improprieties that had taken place in McCann Latin America during Area CFO’s tenure.

65. During October of 2001, Mr. Ramos’s office contacted Area CFO to request that he meet with two auditors who were about to begin a review of McCann Colombia. Area CFO met with the auditors in Bogota, Colombia and gave them a briefing on the documents presented to Ramos and Racine in July of 2001 and, upon the auditors’ request, gave them ideas and strategies for detecting other accounting irregularities that might have occurred after Area CFO’s departure.

66. In December of 2001, Area CFO sent an e-mail to Ramos and Racine as a follow-up to the July, 2001 meeting and to request that he be reinstated because his termination was not due to negligence, incompetence, or moral turpitude, but rather a refusal to continue to cook the books. Area CFO never received a response to his e-mail.

67. According to Area CFO, the accounting improprieties that were the norm in McCann’s Latin American region had a deleterious effect on the morale and attitudes of McCann’s employees there. For example, staff members in Colombia commented that McCann’s slogan, “The Truth Well Told,” should really have been the “The Truth Well Told - but not in financial reporting.” Also, the fraud in McCann Latin America led to the dismissals, threats of dismissals, resignations, and forced retirements of those national CEOs and CFOs who opposed the improper practices, draining the
region of executive talent who were interested in properly managing their agencies, rather than managing earnings. For example, Area CFO’s successor resigned after only two months in the position because he was not willing to stain his personal and professional integrity by following the corrupt accounting practices that were demanded of him.

68. In April of 2002, Area CFO sent an e-mail to Michael I. Roth, chairman of the audit and financial committee of Interpublic’s board of directors, outlining the accounting improprieties of which Area CFO was witness and his post-termination efforts to correct the fraudulent accounting practices. Area CFO never received a response from Roth.

McCann North America

Failure to report account receivables at net realizable value

69. According to a former controller for McCann’s New York office from May of 2001 through February of 2002 (“NY Controller”), Racine, McCann’s worldwide controller during the time of NY Controller’s employment, instructed the receivables person at McCann New York not to book reserves against certain old accounts receivables. Recording the reserve against receivables would have reduced McCann New York’s operating profit by millions of dollars for 2001.

70. In November of 2001, prior to PwC’s 2001 year-end audit, PwC issued an audit report to NY Controller’s boss, Wayne Moretti, the CFO of McCann New York, which recommended booking reserves against old receivables, which had not been done.

71. According to NY Controller, during PwC’s 2001 year-end audit, PwC questioned Ken Dutcher (“Dutcher”), the CFO of McCann North America, and his staff about why McCann New
York had still not reserved against old receivables. PwC was still questioning the reserves against receivables issue when NY Controller left in February of 2002.

**Poor internal controls and procedures lead to overstatement of revenue**

72. NY Controller also stated that McCann North America’s internal financial controls were very lax and insufficient for a company of McCann’s size. For example, the “job packet” for each advertising job was often incomplete, and there were always unanswered questions about client bills at the end of each month. The job packet contained client information and bills and was manually sent to McCann North America’s billing department in Louisville, Kentucky. In any given month there were as many as 100 incomplete job packets. As a result, McCann New York was forced to estimate revenue and expenses on open projects at the end of each month and revenues were sometimes overestimated or booked in the wrong period. Moreover, account executives and salespeople routinely failed to timely inform McCann North America’s billing department of changes to or cancellations of client contracts, and in some instances, the cancellation was never communicated.

73. Another result of incomplete job packets, according to NY Controller, was double counting of revenue. In some instances in which clients had been billed in advance, the clients would again be billed later for the same work. At the end of 2001, NY Controller discovered about a half dozen instances of double counting of revenue, totaling an estimated $2 to $3 million.

**McCann North America expenses understated due to improper reconciliation of inter-office accounts**

74. According to NY Controller, there was also serious problems at McCann North America concerning the reconciliation of inter-office accounts. For example, if a McCann New York
employee performed work for another McCann office, the New York employee's time should have been expensed by that other office. Regardless of that office's accounting, however, McCann New York would reduce the salary expense for its employee for the work performed for the other office. NY Controller stated that usually adjustments of intra-company accounts were not made in a timely fashion and there were at least a dozen cases where other offices refused to book their allocable share of expenses for work done by McCann New York. The result was an understatement of expenses during the reporting periods in any given year.

75. At the end of 2001, NY Controller reduced McCann New York's expenses by $3 to $5 million relating to work McCann New York employees had performed for other McCann offices. Dutcher questioned NY Controller about this expense reduction because the expenses were not showing up on the other offices' books. NY Controller stated that Dutcher and his staff should have caught any intra-company expense discrepancies when consolidating the financial results for all the North American offices.

SECURITIES ACT CLAIMS

76. The claims brought under the Securities Act are separate and distinct from Counts III and IV asserted herein under the Exchange Act. The Securities Act claims do not assert any scienter and are not subject to the pleading requirements of the Private Securities Litigation Reform Act of 1995. The Section 11 claim is brought on behalf of all former True North common stock shareholders who acquired shares of Interpublic common stock pursuant to the Registration Statement in connection with the True North Acquisition. This claim alleges only that the Registration Statement issued in
connection with the True North Acquisition contained materially false and misleading financial results for Interpublic for the years 1997 through 2000.

77. On March 19, 2001, Interpublic announced that on March 18, 2001 Interpublic entered into an Agreement and Plan of Merger (the “Merger Agreement”) with True North, one of the world’s top 10 global advertising and communications holding companies, pursuant to which Interpublic would acquire True North in a stock-for-stock pooling of interests transaction, valuing True North at $2.1 billion.

78. Pursuant to the Registration Statement, Interpublic registered 67,644,272 shares of Interpublic common stock, which represented the equivalent of 59,337,081 shares of True North common stock, the approximate maximum number of shares of True North common stock outstanding, multiplied by 1.14, the exchange ratio contemplated by the Merger Agreement.

79. The Registration Statement was signed by defendants Dooner, Orr, and Molz and included a proxy/prospectus inviting True North shareholders to attend a special meeting to be held on June 19, 2001 to vote on the proposed merger between True North and Interpublic.

80. On June 19, 2001, the shareholders of True North approved the Merger Agreement.

**False and Misleading Statements in the Registration Statement**

81. The Registration Statement contained the following materially false and misleading financial results for Interpublic:
As at and for the year ended December 31,

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Net Income</th>
<th>Per Share Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$5,625.8</td>
<td>358.7</td>
<td>$1.18</td>
</tr>
<tr>
<td>1999</td>
<td>$4,977.8</td>
<td>331.3</td>
<td>$1.11</td>
</tr>
<tr>
<td>1998</td>
<td>$4,218.7</td>
<td>339.9</td>
<td>$1.15</td>
</tr>
<tr>
<td>1997</td>
<td>$3,610.7</td>
<td>224.2</td>
<td>$0.79</td>
</tr>
</tbody>
</table>

(millions of U.S. dollars, except per share data)

Per Share Data

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.18</td>
<td>1.15</td>
</tr>
<tr>
<td></td>
<td>$1.11</td>
<td>1.07</td>
</tr>
<tr>
<td></td>
<td>$1.15</td>
<td>1.12</td>
</tr>
<tr>
<td></td>
<td>$0.79</td>
<td>0.76</td>
</tr>
</tbody>
</table>

82. The Registration Statement also included the following materially false and misleading unaudited pro forma combined condensed financial data that gave effect to the True North Acquisition as if it had occurred at the dates and at the commencement of the periods indicated using the pooling of interests method of accounting for business combinations and the agreed upon exchange ratio of 1.14 shares of Interpublic common stock for each share of True North common stock:

As at and for the year ended December 31,

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Net Income</th>
<th>Per Share Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$7,182.7</td>
<td>420.3</td>
<td>$1.17</td>
</tr>
<tr>
<td>1999</td>
<td>$6,417.2</td>
<td>359.5</td>
<td>$1.02</td>
</tr>
<tr>
<td>1998</td>
<td>$5,492.9</td>
<td>374.2</td>
<td>$1.08</td>
</tr>
<tr>
<td>1997</td>
<td>$4,850.7</td>
<td>168.7</td>
<td>$0.51</td>
</tr>
</tbody>
</table>

(millions of U.S. dollars, except per share data)

Per Share Data

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.17</td>
<td>1.13</td>
</tr>
<tr>
<td></td>
<td>$1.02</td>
<td>0.99</td>
</tr>
<tr>
<td></td>
<td>$1.08</td>
<td>1.04</td>
</tr>
<tr>
<td></td>
<td>$0.51</td>
<td>0.49</td>
</tr>
</tbody>
</table>

83. The financial statements listed above were materially false and misleading due to the
material overstatement of net income and EPS. The Company’s November 19, 2002 press release explained the restatement for years 1997 through 2000 as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)- as reported</td>
<td>$420.3</td>
<td>$359.4</td>
<td>$374.2</td>
<td>$168.7</td>
</tr>
<tr>
<td>Adjustments</td>
<td>(23.2)</td>
<td>(19.2)</td>
<td>(12.4)</td>
<td>(16.7)</td>
</tr>
<tr>
<td>Net Income (loss) - as restated</td>
<td>397.1</td>
<td>340.2</td>
<td>361.8</td>
<td>152.0</td>
</tr>
<tr>
<td>EPS - as reported</td>
<td>$1.14</td>
<td>$0.99</td>
<td>$1.04</td>
<td>$0.49</td>
</tr>
<tr>
<td>EPS - as restated</td>
<td>$1.07</td>
<td>$0.94</td>
<td>$1.01</td>
<td>$0.44</td>
</tr>
</tbody>
</table>

(millions of U.S. dollars, except per share data)

84. Thus, net income was overstated by at least $23.2 million, $19.2 million, $12.4 million, and $16.7 million for the years ended December 31, 2000, 1999, 1998, and 1997, respectively, and EPS (diluted) was overstated by at least $0.07, $0.05, $0.03, and $0.05 for the years ended December 31, 2000, 1999, 1998, and 1997, respectively.

EXCHANGE ACT CLAIMS

Defendants’ False and Misleading Statements During the Class Period

Defendants reported false and misleading financial results

85. The Class Period begins on October 28, 1997. On that date, Interpublic issued a press release announcing its financial results for the third quarter of 1997, the period ended September 30, 1997. For the quarter, Defendants reported net income of $35.3 million, as compared with net income of $27.5 million in the same quarter of the prior year.
86. Interpublic's financial results for the third quarter of 1997 were repeated in the Company's Form 10-Q filed with the SEC on November 14, 1997, which was signed by defendants Geier and Beard. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of September 30, 1997, the consolidated income statements for the three months and nine months ended September 30, 1997 and 1996 and the consolidated statement of cash flows for the nine months ended September 30, 1997 and 1996, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 1997 and for all periods presented.

87. On February 23, 1998, Interpublic issued a press release announcing its financial results for the fourth quarter and full year of 1997, the periods ended December 31, 1997. For the full year of 1997, Defendants reported net income of $239.1 million, as compared with net income of $205.2 million for the prior year, and EPS (diluted) of $1.90, as compared to EPS of $1.69 for the prior year.

The press release further provided, in pertinent part, as follows:

Continuing cost containment efforts kept costs at appropriate levels. Mr. Geier noted that the Company's financial condition continues to be excellent, with a strong balance sheet and a solid cash position.

It is interesting to note that based on these gross income and net income results, Interpublic is now the largest organization of advertising agencies and communications services companies in the world. [Emphasis added.]

88. Interpublic's financial results for 1997 were incorporated in the Company's Form 10-K annual report filed with the SEC on March 26, 1998, which was signed by defendants Geier, Beard, Dooner, and Studley among others. In the Form 10-K, Defendants represented that the financial
statements were presented in accordance with GAAP.

89. Interpublic's 1997 financial results, as set forth in paragraphs 85 through 88 above, were materially false and misleading due to the material overstatement of earnings and EPS.\(^1\)

Moreover, Interpublic's 1997 financial results did not, as falsely represented, contain all adjustments necessary to present fairly in accordance with GAAP the financial position, results of operations and cash flows for the periods presented, because the Company lacked the proper internal controls and Defendants had caused Interpublic employees to understatement the Company’s expenses and overstate its revenues through the accounting manipulations described herein.

90. On April 23, 1998, Interpublic issued a press release announcing its financial results for the first quarter of 1998, the period ended March 31, 1998. For the quarter, Defendants reported net income of $27.6 million, as compared with net income of $22 million in the same quarter of the prior year.

91. Interpublic's financial results for the first quarter of 1998, were repeated in the Company's Form 10-Q filed with the SEC on May 15, 1998, which was signed by defendants Beard and Studley. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

> In the opinion of management, the consolidated balance sheet as of March 31, 1998, the consolidated income statements for the three months ended March 31, 1998 and 1997, the statement of comprehensive income for the three months ended March 31, 1998, as well as the consolidated balance sheet as of December 31, 1997, included the effects of all significant transactions and adjustments necessary to present fairly the consolidated financial position, results of operations and cash flows for such periods.

---

\(^1\) For the period of 1997 through September 30, 2001, Plaintiffs cannot specify the amounts by which Interpublic’s reported net income and EPS was overstated, because the “as previously reported” amounts listed in the restatement do not correspond to the amounts as actually reported for those periods due to Interpublic’s practice during the Class Period of restating its historical financial results, pursuant to the pooling of interests accounting method, after making certain acquisitions.
1998 and 1997 and the consolidated statement of cash flows for the three months ended March 31, 1998 and 1997, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1998 and for all periods presented.

92. On July 27, 1998, Interpublic issued a press release announcing its financial results for the second quarter of 1998, the period ended June 30, 1998. For the quarter, Defendants reported net income of $116.4 million, as compared with the restated\(^2\) net income of $93.2 million in the same quarter of the prior year.

93. Interpublic’s financial results for the second quarter of 1998 were repeated in the Company’s Form 10-Q filed with the SEC on August 13, 1998, which was signed by defendants Beard and Studley. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of June 30, 1998, the consolidated statements of income for the three months and six months ended June 30, 1998 and 1997, the statement of comprehensive income for the six months ended June 30, 1998 and 1997, and the consolidated statement of cash flows for the six months ended June 30, 1998 and 1997, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 1998 and for all periods presented.

94. On October 27, 1998, Interpublic issued a press release announcing its financial results for the third quarter of 1998, the period ended September 30, 1998. For the quarter, defendants reported net income of $45.2 million, as compared with net income of $31.1 million in the same quarter of the prior year.

\(^2\) The restatement of 1997 results referred to in this paragraph is unrelated to the restatement which underlies the claims asserted herein. During 1998, Interpublic had two separate restatements of prior financial results as a result of the pooling of interests accounting treatment of four acquisitions completed in 1998.
95. Interpublic's financial results for the third quarter of 1998 were repeated in the Company's Form 10-Q filed with the SEC on November 13, 1998, which was signed by defendants Geier and Beard. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of September 30, 1998, the consolidated statements of income for the three months and nine months ended September 30, 1998 and 1997, the statement of comprehensive income for the nine months ended September 30, 1998 and 1997, and the consolidated statement of cash flows for the nine months ended September 30, 1998 and 1997, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 1998 and for all periods presented.

96. On February 22, 1999, Interpublic issued a press release announcing its financial results for the fourth quarter 1998 and full year of 1998, the periods ended December 31, 1998. For the year, Defendants reported net income of $309.9 million, as compared with restated net income of $200.4 million in the prior year, and EPS (diluted) of $2.21, an increase of 48.3% over the restated prior year diluted earnings per share.

97. Interpublic's financial results for 1998 were incorporated in the Company's Form 10-K annual report filed with the SEC on March 26, 1999, which was signed by defendants Geier, Beard, Dooner, and Molz, among others. In the Form 10-K, Defendants represented that the financial statements were presented in accordance with GAAP.

98. According to an analyst report issued by Blair, William & Co. on February 24, 1999, Interpublic's full year 1998 EPS of $2.21 was $0.01 ahead of consensus EPS estimates. Without the overstatement of net income, Interpublic would not have beat consensus EPS estimates for 1998.
99. Interpublic's 1998 financial results, as set forth in paragraphs 90 through 97 above, were materially false and misleading due to the material overstatement of net income and EPS. Moreover, Interpublic's 1998 financial results did not, as falsely represented, contain all adjustments necessary to present fairly in accordance with GAAP the financial position, results of operations and cash flows for the periods presented, because the Company lacked the proper internal controls and Defendants had caused Interpublic employees to understate the Company's expenses and overstate its revenues through the accounting manipulations described herein.

100. On April 26, 1999, Interpublic issued a press release announcing its financial results for the first quarter of 1999, the period ended March 31, 1999. For the quarter, Defendants reported net income of $44.8 million, as compared with net income of $37.7 million in the same quarter of the prior year.

101. Interpublic's financial results for the first quarter of 1999 were repeated in the Company's Form 10-Q filed with the SEC on May 14, 1999, which was signed by defendants Geier and Beard. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of March 31, 1999, the consolidated income statements for the three months ended March 31, 1999 and 1998, the consolidated statement of comprehensive income for the three months ended March 31, 1999 and 1998, and the consolidated statement of cash flows for the three months ended March 31, 1999 and 1998, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1999 and for all periods presented.

102. On July 27, 1999, Interpublic issued a press release announcing its financial results for the second quarter of 1999, the period ended June 30, 1999. For the quarter, defendants reported net
income of $139.4 million, as compared with net income of $118.5 million in the same quarter of the prior year.

103. Interpublic's financial results for the second quarter of 1999 were repeated in the Company's Form 10-Q filed with the SEC on August 13, 1999, which was signed by defendants Geier, Beard and Molz. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of June 30, 1999, the consolidated income statements for the three months and six months ended June 30, 1999 and 1998, the consolidated statement of comprehensive income for the three months and six months ended June 30, 1999 and 1998, and the consolidated statement of cash flows for the six months ended June 30, 1999 and 1998, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 1999 and for all periods presented.

104. On October 27, 1999, Interpublic issued a press release announcing its financial results for the third quarter of 1999, the period ended September 30, 1999. For the quarter, Defendants reported net income of $59 million, as compared with net income of $47 million in the same quarter of the prior year.

105. Interpublic's financial results for the third quarter of 1999 were repeated in the Company's Form 10-Q filed with the SEC on November 15, 1999, which was signed by defendants Geier, Beard and Molz. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of September 30, 1999, the consolidated income statements for the three months and nine months ended September 30, 1999 and 1998, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 1999 and 1998, and the
consolidated statement of cash flows for the nine months ended September 30, 1999 and 1998, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 1999 and for all periods presented.

106. On February 23, 2000, Interpublic issued a press release announcing its financial results for the fourth quarter of 1999 and full year of 1999. The periods ended December 31, 1999. For the year, Defendants reported net income of $373.4 million, as compared with net income of $309.9 million in the prior year, and EPS (diluted) of $1.29, versus $1.10 in 1998.

107. On March 21, 2000, ING Barings issued a research report reiterating its "Strong Buy" rating on shares of Interpublic based in part on the Company's financial results that purportedly were in line with consensus expectations.

108. Interpublic's financial results for 1999 were incorporated in the Company's Form 10-K annual report filed with the SEC on March 24, 2000, which was signed by defendants Geier, Orr, Dooner, and Molz, among others. In the Form 10-K, Defendants represented that the financial statements were fairly presented in accordance with GAAP.

109. Interpublic's 1999 financial results, as set forth in paragraphs 100 through 106 and paragraph 108 above, were materially false and misleading due to the material overstatement of net income and EPS. Moreover, Interpublic's 1999 financial results did not, as falsely represented, contain all adjustments necessary to present fairly in accordance with GAAP the financial position, results of operations and cash flows for the periods presented, because the Company lacked the proper internal controls and Defendants had caused Interpublic employees to understate the Company's expenses and overstate its revenues through the accounting manipulations described herein.
110. On April 26, 2000, Interpublic issued a press release announcing its financial results for the first quarter of 2000, the period ended March 31, 2000. For the quarter, Defendants reported net income of $57.1 million (excluding a pre-tax $36.1 million restructuring cost), as compared with net income of $44.8 million in the same quarter of the prior year. Including the restructuring cost, the Company reported $36.3 million in net income. The press release further provided, in pertinent part, as follows:

Mr. Geier noted that the Company's financial condition continues to be excellent. The Company's operating margin has increased to 9.8% of revenue, compared to 9.1% for the first quarter of 1999. [Emphasis added.]

111. Interpublic's financial results for the first quarter of 2000 were repeated in the Company's Form 10-Q filed with the SEC on May 12, 2000, which was signed by defendants Geier and Orr. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of March 31, 2000, the consolidated income statements for the three months ended March 31, 2000 and 1999, the consolidated statement of comprehensive income for the three months ended March 31, 2000 and 1999, and the consolidated statement of cash flows for the three months ended March 31, 2000 and 1999, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2000 and for all periods presented.

112. On July 26, 2000, Interpublic issued a press release announcing its financial results for the second quarter of 2000, the period ended June 30, 2000. For the quarter, Defendants reported net income of $171.9 million, as compared with net income of $150 million in the same quarter of the prior year. The press release further provided, in pertinent part, as follows:

Mr. Geier noted that the Company's financial condition continues to be excellent. The
Company’s operating margin has increased to 20.7% of revenue, compared to 20.4% for the second quarter of 1999. Strong revenue growth from new business and continued cost containment efforts have resulted in this margin improvement. [Emphasis added.]

113. Interpublic’s financial results for the second quarter of 2000 were repeated in the Company’s Form 10-Q filed with the SEC on August 14, 2000, which was signed by defendants Geier and Orr. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of June 30, 2000, the consolidated income statements for the three months and six months ended June 30, 2000 and 1999, the consolidated statement of comprehensive income for the three months and six months ended June 30, 2000 and 1999, and the consolidated statement of cash flows for the six months ended June 30, 2000 and 1999, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2000 and for all periods presented.

114. On October 25, 2000, Interpublic issued a press release announcing its financial results for the third quarter of 2000, the period ended September 30, 2000. For the quarter, Defendants reported net income of $79 million, as compared with net income of $67.8 million in the same quarter of the prior year. Defendant Geier commented on the Company’s performance, stating, in pertinent part, as follows:

Another quarter of double-digit revenue growth is the best evidence that our business remains vibrant. . . . Organic growth of 15% demonstrates the vitality of our clients, our industry and the economy.

115. Interpublic’s financial results for the third quarter of 2000 were repeated in the Company’s Form 10-Q filed with the SEC on November 14, 2000, which was signed by defendants Geier and Molz. In the notes to the consolidated financial statements contained in the Form 10-Q,
Defendants represented that:

In the opinion of management, the consolidated balance sheet as of September 30, 2000, the consolidated income statements for the three months and nine months ended September 30, 2000 and 1999, the consolidated statement of comprehensive income for the three months and nine months ended September 30, 2000 and 1999, and the consolidated statement of cash flows for the nine months ended September 30, 2000 and 1999, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2000 and for all periods presented.

116. On February 27, 2001, Interpublic issued a press release announcing its financial results for the fourth quarter 2000 and full year 2000, the periods ended December 31, 2000. According to the release, “Net income [for the quarter] advanced 35% to $144.8 million before non-recurring items, reflecting strong margin performance driven by cost controls.” For the year (excluding non-recurring items), Defendants reported net income of $473.2 million, as compared with net income of $382.7 million in the prior year, and EPS (diluted) of $1.51, versus $1.24 in 1999. Defendant Dooner commented on the Company’s performance, stating, in pertinent part, as follows:

Interpublic delivered solid organic revenue growth and strong margin performance in the fourth quarter, despite difficult comparisons at Lowe Lintas and Initiative Media. Our challenge in 2001 will be to accelerate top-line growth across all our businesses, while maintaining our focus on cost containment.

Looking forward, we're confident our business can continue to produce double-digit earnings gains, fueled primarily by organic growth. Our reinvestment efforts will continue to focus on the expansion of existing businesses, supplemented by accretive acquisitions.

117. On March 29, 2001, ING Barings issued a report reiterating its Strong Buy rating on shares of Interpublic and stating that Interpublic’s fourth-quarter 2000 reported EPS of $0.46 (before the non-recurring charges) was a penny ahead of the consensus estimates. Without the overstatement
of its net income. Interpublic would not have met the consensus EPS estimate.

118. Interpublic’s financial results for 2000 were incorporated in the Company’s Form 10-K annual report filed with the SEC on about March 30, 2001, which was signed by defendants Dooner, Orr and Molz, among others. In the Form 10-K, Defendants represented that the financial statements were fairly presented in accordance with GAAP.

119. Interpublic’s 2000 financial results, as set forth in paragraphs 110 through 116 and paragraph 118 above, were materially false and misleading due to the material overstatement of net income and EPS. Moreover, Interpublic’s 2000 financial results did not, as falsely represented, contain all adjustments necessary to present fairly in accordance with GAAP the financial position, results of operations and cash flows for the periods presented, because the Company lacked the proper internal controls and Defendants had caused Interpublic employees to understate the Company’s expenses and overstate its revenues through the accounting manipulations described herein.

120. On April 26, 2001, Interpublic issued a press release announcing its financial results for the first quarter of 2001, the period ended March 31, 2001. For the quarter, Defendants reported net income of $65.3 million, as compared with net income of $63.7 million in the same quarter of the prior year. According to the release, “Operating income gained 11% to $130.4 million, compared to $117.5 million in 2000, and the operating profit margin improved 40 basis points to 10%.” Defendant Dooner commented on the Company’s performance, stating, in pertinent part, as follows:

Despite a challenging revenue environment, Interpublic was able to deliver double-digit operating profit growth because of our relentless drive to manage costs.

Looking forward, we remain cautious about revenue comparisons in 2001, particularly in the first half of the year. We remain committed to double digit operating profit
growth, and we have increased our emphasis on cost controls to ensure the highest possible return on revenue.

Defendant Dooner also commented on the Company’s performance, stating, in pertinent part, as follows:

We also remain focused on our balance sheet, and will intensify our scrutiny of working capital and capital expenditures in an effort to sustain and improve cash flow.

121. Interpublic’s financial results for the first quarter of 2001 were repeated in the Company’s Form 10-Q filed with the SEC on May 15, 2001, which was signed by defendants Dooner and Orr. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of March 31, 2001, the consolidated income statements for the three months ended March 31, 2001 and 2000, the consolidated statements of comprehensive income for the three months ended March 31, 2001 and 2000, and the consolidated statements of cash flows for the three months ended March 31, 2001 and 2000, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2001 and for all periods presented.

122. On July 26, 2001, Interpublic issued a press release announcing its financial results for the second quarter of 2001, the period ended June 30, 2001. For the quarter, Defendants reported net income before one-time costs of $117.1 million, as compared with net income of $201.4 million in the same quarter of the prior year. Defendant Dooner commented on the Company’s performance, stating, in pertinent part, as follows:

Our net new business wins continued to be strong in the second quarter considering the difficult economic environment, totaling about $850 million in capitalized billings. However, our operating results were hurt by the effect of the economy and the slowdown of client spending. Also, as a company, we did not reduce costs as quickly
and as deeply as needed. Obviously, these results are not acceptable.

While our recent reorganization improves the quality of our client offering and provides the operational foundation for accelerated long-term organic growth, we also recognize the need for aggressive and immediate action to provide a strong financial foundation from which to deliver that growth.

123. Interpublic's financial results for the second quarter of 2001 were repeated in the Company's Form 10-Q filed with the SEC on August 14, 2001, which was signed by defendants Dooner and Weatherseed. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

   In the opinion of management, the consolidated balance sheet as of June 30, 2001, the consolidated income statements for the three months and six months ended June 30, 2001 and 2000, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2001 and 2000, and the consolidated statements of cash flows for the six months ended June 30, 2001 and 2000, contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2001 and for all periods presented.

124. On November 13, 2001, Interpublic issued a press release announcing its financial results for the third quarter of 2001, the period ended September 30, 2001. For the quarter, Defendants reported net income of $54.5 million, as compared with net income of $107.7 million in the same quarter of the prior year. Defendant Dooner commented on the Company's performance, stating, in pertinent part, as follows:

   Given the uncertain political and economic environment, clients are understandably cautious and Interpublic's revenue performance reflects their concerns. Our focus is on serving our clients, winning new business and controlling expenses, so we can achieve the best possible earnings performance in the near term and going forward.

125. Interpublic's financial results for the third quarter of 2001 were repeated in the
Company’s Form 10-Q filed with the SEC on November 14, 2001, which was signed by defendants Dooner and Orr. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the consolidated balance sheet as of September 30, 2001, the consolidated income statements for the three months and nine months ended September 30, 2001 and 2000, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2001 and 2000, and the consolidated statements of cash flows for the nine months ended September 30, 2001 and 2000, contain all adjustments necessary to present fairly the financial position, results of operations and cash flows at September 30, 2001 and for all periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted.

126. Interpublic’s reported quarterly financial results for the first, second, and third quarters of 2001, as set forth in paragraphs 120 through 125 above, were materially false and misleading due to Defendants’ overstatement of the Company’s net income and EPS. Moreover, Interpublic’s 2001 financial results did not, as falsely represented, contain all adjustments necessary to present fairly in accordance with GAAP the financial position, results of operations and cash flows for the periods presented, because the Company lacked the proper internal controls and Defendants had caused Interpublic employees to understate the Company’s expenses and overstate its revenues through the accounting manipulations described herein.

127. On February 28, 2002, Interpublic issued a press release announcing its financial results for the fourth quarter 2001 and full year 2001, the periods ended December 31, 2001. For the year, Defendants reported pro forma net income of $359.2 million, as compared with pro forma net income of $570.3 million in the prior year, and pro forma EPS of $.96, compared to a pro forma $1.53 for 2000. Pro forma earnings were defined as net income exclusive of restructuring and other unusual
items. Inclusive of restructuring and other unusual items for 2001 Interpublic reported an operating loss of $208.1 million, a net loss of $505.3 million, and a net loss per share (diluted) of $1.37.

Defendant Dooner commented on the Company's performance, stating, in pertinent part, as follows:

The past year was a challenging one for Interpublic. We have addressed the situation forcefully, with a major restructuring program and financial disciplines that will ensure we meet our commitments to shareholders in spite of the harsh media and marketing environment. We expect these initiatives will enhance our operating performance going forward.

The release explained the Company’s 2001 restructuring charges and other unusual items as follows:

In the first three quarters of 2001, the Company recognized $646 million in restructuring and other merger-related charges, $303 million in goodwill impairment and other charges, and a $208 million reduction in the carrying value of other investments. In addition, included in operating costs are charges of $85.4 million, relating primarily to the impaired value of miscellaneous operating assets, and a credit of $50 million resulting from reductions in previously-established severance reserves.

128. Interpublic’s financial results for 2001 were incorporated in the Company’s Form 10-K annual report filed with the SEC on April 1, 2002, which was signed by defendants Dooner, Orr, and Sneeder, among others (the “2001 10-K”). In the 2001 10-K, Defendants represented that the financial statements were fairly presented in accordance with GAAP.

129. Interpublic’s reported financial results for the year 2001, as set forth in paragraphs 127 through 128 above, were materially false and misleading. Defendants understated the Company’s operating loss, net loss, and net loss per share (diluted) by at least $29.4 million, $22.1 million, and $0.06 per share, respectively.

130. On May 2, 2002, Interpublic issued a press release announcing its financial results for the first quarter of 2002, the period ended March 31, 2002. For the quarter, Defendants reported
operating income of $140.1 million, net income of $66.7 million, and EPS of $0.18. Defendant Dooner commented on the Company’s performance, stating, in pertinent part, as follows:

We are satisfied with our earnings performance for the quarter and we remain on track to deliver double-digit EPS growth in 2002. As previously reported, we expected that first half revenue would remain challenged and that profits would therefore be achieved largely by means of cost savings and improved financial discipline. That said, we are seeing growing momentum in the area of new business, where we posted $745 million of net wins, up from $223 million in the previous quarter.

131. On May 3, 2002, J.P. Morgan Securities Inc. issued a report stating that Interpublic’s 2002 first quarter EPS of $0.18 was in line with consensus estimate. Had Defendants not caused the Company to overstate its net income and EPS, the Company would have fallen short of the consensus estimate.

132. Interpublic’s financial results for the first quarter of 2002 were repeated in the Company’s Form 10-Q filed with the SEC on May 15, 2002, which was signed by defendants Dooner and Orr. In the notes to the consolidated financial statements contained in the Form 10-Q, Defendants represented that:

In the opinion of management, the financial statements included herein contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2002 and for all periods presented.

133. Interpublic’s reported financial results for the first quarter of 2002, as set forth in paragraphs 130 and 132, were materially false and misleading, because Interpublic’s reported operating income, net income, and EPS (diluted) were overstated by at least $8.6 million, $5 million, and $0.02, respectively.

134. On August 5, 2002, Interpublic announced that it would be delayed in the release of its
2002 second quarter earnings. The Company attributed the delay to the need for its board’s audit committee to review the results before Interpublic’s management certified the Company’s financials as required by the SEC under the Sarbanes-Oxley Act of 2002.

135. In response to the Company’s delay in announcing its earnings, shares of Interpublic closed at $14.99 per share on August 5, 2002, down $4.69 per share, or 24%, from the previous trading day’s (August 2, 2002) close of $19.68 per share.

136. On August 13, 2002, Interpublic issued a press release and held a conference call to discuss its results for the 2002 second quarter, the period ended June 30, 2002. Defendants reported operating income of $238.5 million, net income of $117 million, and EPS of $0.31 for the quarter. In the release, Defendants also disclosed for the first time the following concerning the restatement of Interpublic’s previously reported financial results:

Interpublic delayed its earnings release, originally scheduled for August 6, while it addressed issues arising from its review of certain accounts containing inter-company activity and related balance sheet items. As a result of this review, the company identified $68.5 million of charges, principally in Europe, which had not been properly expensed. These charges do not affect the company’s cash position and the amounts involved were not material to any prior period. The company will restate its previously issued financial statements. Details regarding the restatements, which date back to 1997 and prior, are appended to this release.

"Procedures recently put in place by management identified an accounting issue that merited further review," explained John J. Dooner, Jr., Interpublic’s Chairman and Chief Executive Officer. "While it is unfortunate that we had to postpone our earnings announcement, it’s unquestionably appropriate to have taken decisive action in this matter. We have also taken the necessary steps in order to prevent this situation from recurring in the future. The restatement will have no impact on the company's operating performance going forward."

Interpublic management will deliver the requisite certifications under the Sarbanes-Oxley Act and recent SEC order at the time of the filing of its report on Form 10Q for
the quarter ended June 30, 2002.

137. During the August 13, 2002 conference call hosted by defendants Dooner and Orr, defendant Orr stated the following concerning the restatement:

[The items giving rise to the restatement] represent a balance in intercompany activity that arise when one office does business on behalf of another. In our business in providing service to multinational clients, numerous coordination centers generate thousands of small dollar transactions within the company in promptly accounting for activity with shared clients. And this activity requires ongoing diligence to keep our books and records in balance. Now, intercompany has taken over the past 18 months or more a company wide project to improve our control over this type of intercompany activity across all of our agencies and to catch up on the needed reconciliation process to make sure these accounts stay in balance.

. . . . [A]s part of this process, in the first quarter of this year new procedures were put in place in the McCann agency around the world. And it required a new formal reporting relative to these items for the end of the second quarter.

The findings arising from this reporting are what gave rise to this current exercise and were the reason why we delayed the release, to provide ourselves with the additional time it [sic] was required to evaluate the extent of the problem, the size of the problem, the proper remedies, and to determine whether anything more needs to be done to prevent the reoccurrence.

Simply put, what we are dealing with here is the effect of not reconciling intercompany accounts on a timely basis, leading to an accumulation of imbalances that although immaterial to any prior year require a material adjustment to get our accounts caught up.

* * * *

So while the $68.5 million - and that's a pre-tax number restatement - is the amount of the total charge . . . the review of the procedures and the personnel and accountabilities relating to this action will continue until we have a full understanding of how this happened.

Having said that, the accounting effects that I am articulating now are final. These accounting effects have no impact on cash flow in the present or for that matter in the past, and do not have any implications on future performance. Nor do they have any
impact on any individual client accounting. In terms of remedies, new management is in place in McCann Europe.

(Emphasis added).

138. On August 14, 2002, Interpublic filed its Form 10-Q for the 2002 second quarter that repeated the financial results announced on August 13, 2002. The 2002 second quarter 10-Q was signed by defendants Dooner and Orr. Separately, defendants Dooner and Orr filed a certification on August 14, 2002 pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) stating that the 2002 second quarter 10-Q fully complied with the requirements of section 13(a) or 15(d) of the Exchange Act and that the information contained therein fairly presented, in all material respects, the financial condition and results of operations of the Company.

139. In addition, pursuant to an order issued by the SEC on June 27, 2002, the Company filed with the SEC a “Statement Under Oath of Principal Executive Officer and Principal Financial Officer Regarding Facts and Circumstances Relating to Exchange Act Filings.” In their respective statements under oath, both defendants Dooner and Orr stated and attested that Interpublic’s 2001 10-K and “all reports on Form 10-Q, all reports on Form 8-K and all definitive proxy materials of [the Company] filed with the Commission subsequent to the filing of the [2001 10-K]” were accurate and did not contain any untrue statements of material fact or any omissions of material fact necessary to make the statements in the covered reports, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report.

140. Interpublic’s reported 2002 second quarter operating income of $238.5 million, net
income of $117 million, and EPS of $0.31 were materially overstated by at least $9.6 million, $5.7 million, and $0.02, respectively. As a result, the financial results as originally reported for the 2002 second quarter were materially false and misleading. Defendants Dooner and Orr’s requisite certifications/statements under oath signed pursuant to the Sarbanes-Oxley Act and June 27, 2002 SEC order, as described in paragraphs 138 and 139, were also materially false and misleading because the Company’s 2002 second quarter operating income, net income, and EPS were materially overstated.

141. In addition, Defendants’ representations that $68.5 million was the total amount of the restatement and that the restatement was “final” were materially false and misleading because the Company had not yet completed its review of certain accounts containing inter-company activity and related balance sheet items, as demonstrated by the final $181.3 million restatement announced on November 13, 2002. Similarly, it was materially false and misleading for Defendants to represent that “in the first quarter of this year new procedures were put in place in the McCann agency around the world [, which] required a new formal reporting relative to these items for the end of the second quarter,” when the Company’s 2002 second quarter results were plagued by the same accounting improprieties that had caused the restatement as first announced. Nor did the Company disclose the particular facts that gave rise to the misstatements of earnings.

142. After having described the $68.5 million restatement as “final” on August 13, 2002, Defendants shocked the market on October 16, 2002, the last day of the Class Period, when they announced after the market closed that the restatement amount was “not expected to exceed $120 million (pre-tax)”, almost double what they announced just two months earlier. Interpublic also
announced that it lowered its forecast for 2002 earnings to $.85-.90 per share from $1.25-$1.35 and
that it expected to report third quarter earnings of $.08-$1.10 per share, compared to a consensus
estimate of $.28 per share among Wall Street analysts. The Company did not disclose the particular
facts that gave rise to the new, higher overstatement of earnings.

143. In response to this disclosure, Interpublic’s stock price fell another $4.86 per share, or
30%, from its October 16, 2002 closing price of $16.30 per share to close at $11.44 per share on
October 17, 2002 on volume of over 26 million shares.

**Defendants false statements regarding the Company’s internal controls**

144. Interpublic’s publicly filed Annual Reports to Stockholders (incorporated by reference
in the Company’s Forms 10-K) for years 1997 through 2001 contained a Report of Management
which represented:

> The financial statements . . . were prepared by management, who is responsible for
their integrity and objectivity. Management believes the financial statements . . . reflect
the company’s financial position and operating results in conformity with generally
accepted accounting principles.

Management maintains a system of internal accounting controls which provides
reasonable assurance that, in all material respects, assets are maintained and accounted
for in accordance with management’s authorization, and transactions are recorded
accurately in the books and records. To assure the effectiveness of the internal control
system, the organizational structure provides for defined lines of responsibility and
delegation of authority.

145. Defendants’ statements regarding the Company’s maintenance of a “system of internal
accounting controls” were false and misleading when made. A classic example of breakdown in a
company’s internal control structure is its failure to timely prepare reconciliations of its accounts. See
SAS No. 60. Significant unreconciled differences between a company’s control account and its
subsidiaries’ ledgers is also a well-recognized condition that puts a company at risk of filing financial statements containing material misstatements. See SAS No. 53. This control deficiency may also rise to the level of a “material weakness.” “A material weakness in the internal control structure is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements” may go undetected. SAS No. 60.

146. For more than five years, Interpublic’s McCann offices overstated their reported earnings due to the offices’ failure to reconcile thousands of intra-company transactions. As defendant Orr acknowledged during the Company’s August 13, 2002 conference call with analysts, it was not until the first quarter of 2002 that Interpublic implemented the procedures necessary to reconcile and correctly report McCann’s intra-company transactions. Moreover, as described in paragraph 149 below, PwC determined that during the Class Period Interpublic had a material weakness in its internal accounting controls relating to the processing and monitoring of intra-company transactions. That Defendants permitted “material weaknesses,” “lack of balance sheet monitoring (see ¶ 149, below),” financial irregularities, and misstatements of earnings to continue for more than five years reflects a knowing and/or reckless violation of the Company’s financial reporting obligations under the federal securities laws.

Post Class Period Disclosures

147. On November 13, 2002, the Company issued a press release announcing that the final amount of the restatement was $181.3 million, rather than the previously announced $120 million.

148. On November 19, 2002, Interpublic issued a press release announcing its results for
the 2002 third quarter ended September 30, 2002. The press release also contained a chart summarizing the effect of the restatement on the Company’s previously reported full year net income (loss) and earnings (loss) per share for the years 1997 through 2001 and its quarterly net income (loss) and earnings (loss) per share for the first, second, and third quarters of 2001 and the first two quarters of 2002. In the press release, Interpublic stated the following with respect to the restatement:

During the second and third quarters of 2002, the company identified a total of $181.3 million ($135.9 million, net of tax) in charges that related to prior periods. The total amount of charges has been recorded through a restatement of previously reported amounts.

As a result of a review undertaken surrounding the process of internally allocating certain overhead costs and reimbursable charges to operating units throughout the world the company identified and recorded $101.0 million of intracompany charges at McCann-Erickson WorldGroup. The charges were principally in Europe and had been included in accounts receivable and work-in-progress rather than being expensed.

In addition to the intracompany charges, the company identified an additional $36.3 million principally related to estimates of insurance proceeds not yet realized, specific write-offs of receivables and other costs that had been capitalized rather than being expensed. An additional $44.0 million at subsidiaries other than McCann was identified, the majority of which the company has concluded are related to understated liabilities dating to 1996 and prior at a subsidiary currently within The Partnership.

The company is in the process of terminating certain employees, implementing other personnel changes and strengthening certain control processes related to this matter.

No further explanation or breakdown of the restatement was provided.

149. On November 19, 2002, Interpublic also filed its Form 10-Q for the period ended September 30, 2002 (the “Third Quarter 10-Q”). In the Third Quarter 10-Q, Defendants stated:

Senior management and the Company’s Audit Committee have been informed by the Company’s independent auditors [PriceWaterhouseCoopers] that they had identified a "material weakness" (as defined under standards established by the American Institute of Certified Public Accountants) relating to the processing and monitoring
of intracompany transactions. Mr. Dooner and Mr. Orr determined that this material weakness, together with certain other deficiencies associated with a lack of balance sheet monitoring, if unaddressed, could result in accounting errors such as those underlying the restatement of the Company's consolidated financial statements.

(Emphasis added).

150. The Third Quarter 10-Q further described the adverse effect that the restatement had on the Company's financial covenants with its lenders. In this regard, Interpublic stated:

_Due to the impact on the Company's net worth resulting from_ (a) lower operating profit in the current quarter and (b) restructuring charges and _lower operating profit in prior periods resulting from the restatement_ described in Note 2 to the Company's Consolidated Financial Statements, as of September 30, 2002, the Company required and received waivers related to its financial covenants in the [Company's note purchase agreements with The Prudential Insurance Company of America (the "Prudential Agreements")]

In addition, the Company has obtained waivers of certain other provisions (excluding financial covenants) contained in its [two revolving credit facilities provided by a syndicate of banks (the "Revolving Credit Facilities") and in certain of its term loan agreements, including the Prudential Agreements, which relate to the restatement. **In connection with the waivers for its Revolving Credit Facilities, the Company agreed to an increase in interest rates and commitment fees payable to the lenders. In connection with the waivers for the Prudential Agreements, the Company agreed to increase the interest rates on the $148.8 million outstanding under the Prudential Agreements. As a result, the current interest rates on the notes issued pursuant to the Prudential Agreements range from 7.55% to 9.51%. In addition to the increase in interest rates on the Prudential Agreements and the Revolving Credit Facilities, the Company paid fees to the lenders as additional consideration for their granting the waivers and amendments discussed above.

The Company also agreed to amend the Revolving Credit Facilities and the Prudential Agreements prior to January 15, 2003 to include _limitations_ that are mutually acceptable to the Company and the lenders on the ability of the Company (i) to make acquisitions or investments, (ii) to make capital expenditures, (iii) to declare or pay dividends and (iv) to repurchase shares or other debt securities. Until this amendment is effective, the Company agreed not to shorten the maturity or amortization of, or prepay any amounts under, its term loan agreements or any other
long-term debt (other than (a) in connection with a debt refinancing having the same or later maturity or (b) prepayments pursuant to the terms of the Revolving Credit Facilities).

(Emphasis added). As such, Defendants’ false statements of Interpublic’s earnings had a material adverse affect on the Company’s future interest payments, loan fees, as well as its capital programs.

151. On November 26, 2002, Interpublic issued a press release naming Arthur D’Angelo as McCann’s worldwide CFO effective January 2003, to replace Salvatore LaGreca, who announced his resignation after the Company’s disclosure of accounting irregularities at McCann. The Company also announced that, unlike his predecessor, D’Angelo would be required to report to Interpublic’s CFO (defendant Orr) on all financial matters. Prior to the change in reporting structure McCann’s CFO reported only to McCann’s CEO. A Senior executive familiar with the change was quoted in a December 2, 2002 Ad Week: “We want this executive to have a sense of accountability to the corporation and to its shareholders, someone who is strong and whose concerns are not going to be sacrificed in light of what an operating executive might want.”

152. On December 6, 2002, Interpublic filed a Form 10-K/A for the period ended December 31, 2001. The Form 10-K/A stated that of the total $181.3 million restatement, $18.2 million related to 2002 and $163.1 related to the year ended December 31, 2001 and prior. The Form 10-K/A provided the same explanation of the reasons for the restatement as the November 19, 2002 press release.

153. The 2001 Form 10-K/A provided the following restatement of the full year financial results for years 1997 through 2001 (all dollar amounts are in millions except per share amounts):
<table>
<thead>
<tr>
<th>Year ended 12/31/01</th>
<th>As Previously Reported</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$(208.1)</td>
<td>$(237.5)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(505.3)</td>
<td>$(527.4)</td>
</tr>
<tr>
<td>Loss per share - basic</td>
<td>$(1.37)</td>
<td>$(1.43)</td>
</tr>
<tr>
<td>Loss per share - diluted</td>
<td>$(1.37)</td>
<td>$(1.43)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 12/31/00</th>
<th>As Previously Reported</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$849.1</td>
<td>$823.8</td>
</tr>
<tr>
<td>Net income</td>
<td>$420.3</td>
<td>$397.1</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$1.17</td>
<td>$1.10</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$1.14</td>
<td>$1.07</td>
</tr>
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<table>
<thead>
<tr>
<th>Year ended 12/31/99</th>
<th>As Previously Reported</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$649.4</td>
<td>$626.8</td>
</tr>
<tr>
<td>Net income</td>
<td>$359.4</td>
<td>$340.2</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$1.02</td>
<td>$0.97</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$0.99</td>
<td>$0.94</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 12/31/98</th>
<th>As Previously Reported</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$672.4</td>
<td>$657.1</td>
</tr>
<tr>
<td>Net income</td>
<td>$374.2</td>
<td>$361.8</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$1.08</td>
<td>$1.04</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$1.04</td>
<td>$1.01</td>
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</table>

<table>
<thead>
<tr>
<th>Year ended 12/31/97</th>
<th>As Previously Reported</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$342.6</td>
<td>$321.9</td>
</tr>
<tr>
<td>Net income</td>
<td>$168.7</td>
<td>$152.0</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$0.51</td>
<td>$0.46</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$0.49</td>
<td>$0.44</td>
</tr>
</tbody>
</table>
154. The 2001 Form 10-K/A provided the following restatement of the quarterly financial results for years 2000 through 2001 and the first two quarters of 2002 (all dollar amounts are in millions except per share amounts):

<table>
<thead>
<tr>
<th></th>
<th>As Previously Reported</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quarter ended 3/31/02</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$140.1</td>
<td>$131.5</td>
</tr>
<tr>
<td>Net income</td>
<td>$66.7</td>
<td>$61.7</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$0.18</td>
<td>$0.17</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$0.18</td>
<td>$0.16</td>
</tr>
<tr>
<td><strong>Quarter ended 6/30/02</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$238.5</td>
<td>$228.9</td>
</tr>
<tr>
<td>Net income</td>
<td>$117.0</td>
<td>$111.3</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$0.31</td>
<td>$0.30</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$0.31</td>
<td>$0.29</td>
</tr>
<tr>
<td><strong>Quarter ended 3/31/01</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$153.1</td>
<td>$149.6</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(28.8)</td>
<td>$(30.4)</td>
</tr>
<tr>
<td>Loss per share - basic</td>
<td>$(0.08)</td>
<td>$(0.08)</td>
</tr>
<tr>
<td>Loss per share - diluted</td>
<td>$(0.08)</td>
<td>$(0.08)</td>
</tr>
<tr>
<td><strong>Quarter ended 6/30/01</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>$(26.2)</td>
<td>$(33.7)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(110.2)</td>
<td>$(116.3)</td>
</tr>
<tr>
<td>Loss per share - basic</td>
<td>$(0.30)</td>
<td>$(0.32)</td>
</tr>
<tr>
<td>Loss per share - diluted</td>
<td>$(0.30)</td>
<td>$(0.32)</td>
</tr>
<tr>
<td><strong>Quarter ended 9/30/01</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quarter ended 12/31/01</td>
<td>Quarter ended 3/31/00</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Operating loss</td>
<td>$(570.6)</td>
<td>$(574.9)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(477.5)</td>
<td>$(481.1)</td>
</tr>
<tr>
<td>Loss per share - basic</td>
<td>$(1.29)</td>
<td>$(1.30)</td>
</tr>
<tr>
<td>Loss per share - diluted</td>
<td>$(1.29)</td>
<td>$(1.30)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Quarter ended 3/31/00</th>
<th>Quarter ended 6/30/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$235.6</td>
<td>$221.5</td>
</tr>
<tr>
<td>Net income</td>
<td>$111.2</td>
<td>$100.4</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$0.30</td>
<td>$0.27</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$0.30</td>
<td>$0.27</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Quarter ended 6/30/00</th>
<th>Quarter ended 9/30/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$299.0</td>
<td>$295.2</td>
</tr>
<tr>
<td>Net income</td>
<td>$166.4</td>
<td>$161.6</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$0.47</td>
<td>$0.45</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$0.47</td>
<td>$0.44</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Quarter ended 9/30/00</th>
<th>Quarter ended 12/31/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$191.5</td>
<td>$265.2</td>
</tr>
<tr>
<td>Net income</td>
<td>$90.8</td>
<td>$250.8</td>
</tr>
<tr>
<td>Earnings per share - basic</td>
<td>$0.25</td>
<td>$0.24</td>
</tr>
<tr>
<td>Earnings per share - diluted</td>
<td>$0.24</td>
<td>$0.23</td>
</tr>
</tbody>
</table>
Net Income $113.0 $100.7
Earnings per share - basic $0.31 $0.28
Earnings per share - diluted $0.30 $0.27

**Defendants’ GAAP/SEC Rule Violations**

155. Throughout the Class Period, Defendants violated GAAP by issuing the false and misleading financial statements described above. GAAP are those principles recognized by the accounting profession as being the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. The SEC requires that publicly-traded companies present their financial statements in accordance with GAAP. 17 C.F.R. § 210.4-01(a)(1). Financial statements filed with the SEC that are not prepared in accordance with GAAP “will be presumed to be misleading or inaccurate, despite footnote or other disclosures, unless the Commission has otherwise provided.” 17 C.F.R. § 210.4-01(a)(1).

156. To delineate GAAP, the Financial Accounting Standards Board (“FASB”) has devised Statements of Financial Accounting Standards (“SFAS”) and Statement of Financial Accounting Concepts (“SFAC”). Before the FASB developed the SFAS and SFAC beginning in 1973, the Committee on Accounting Procedure (CAP) of the American Institute of Certified Public Accountants (AICPA) issued 51 Accounting Research Bulletins, standards that are still viable and followed today.

157. In Note 17 of the Notes to Consolidated Financial Statements in the Company’s Form 10-K/A filed December 6, 2002 (“Note 17”), the Company stated, “As a result of a review undertaken surrounding the process of internally allocating certain overhead costs and reimbursable charges to operating units throughout the world, the Company identified and recorded $101.0 [million] of
intracompany charges.” The failure to properly record these intracompany charges resulted in the double counting of the Company’s earnings in Interpublic’s originally filed financial statements.

158. Accounting Research Bulletin No. 51 (“ARB 51”), Consolidated Financial Statements, paragraph 6, states that, “In the preparation of consolidated statements, intercompany balances and transactions should be eliminated.” This would apply similarly to intra-company account balances and charges. Therefore, the Company’s Class Period financial statements violated ARB 51 and therefore, GAAP.

159. Also in Note 17, the Company stated, “The [intra-company] charges were principally in Europe and had been included in accounts receivable and work-in-progress rather than being expensed.”

160. SFAC No. 6, paragraph 26, states that, “An asset has three essential characteristics: (a) it embodies a probable future benefit that involves a capacity, singly or in combination with other assets, to contribute directly or indirectly to future net cash inflows, (b) a particular entity can obtain the benefit and control others’ access to it, and (c) the transaction or other event giving rise to the entity’s right to or control of the benefit has already occurred.”

161. When the Company failed to recognize expenses on its income statements and instead recorded such expenditures as accounts receivable or work-in-progress on its balance sheet, as described in Note 17, Defendants violated SFAC No. 6 and therefore, GAAP, because the improperly recorded expenses did not provide future economic benefits to the Company.

162. Moreover, it was contrary to GAAP and the Company’s own accounting policies to carry account receivables that had been outstanding for longer than six months at their full face value.
rather than at their net realizable value. Under GAAP and the Company’s own accounting policies, the Company should have created an allowance for bad debts and recognized a bad debt expense for these accounts. According to Area CFO (former McCann Colombia CFO), the Company had a policy in place by which it should have recorded the following bad debt expenses and allowances for uncollectible receivables: after six months an allowance equal to 30% of the receivables value; after nine months an allowance equal to 50% of the receivables value; after twelve months an allowance equal to 75% of the receivables value; and after fifteen months an allowance equal to 100% of the receivables value. Thus, Defendants’ practice of recording its operating expenses as assets and then carrying improperly recorded receivables at full value for over five years was a blatant violation of GAAP and the Company’s own accounting policies.

163. Normally, when there are transactions that occur between two offices (intra-company transactions), the intra-company accounts of the two offices offset each other and the consolidated financial statements report neither income nor expense for the intra-company transaction. However, when one office reports revenue for services performed but no corresponding expense for the service is reported, the consolidated financial statements will be overstated. The result will be the same if instead of reporting the expense, the office improperly reports an asset.

164. The following hypothetical illustrates one way in which the accounting improprieties referenced in Note 17 may have been perpetrated. Division A and Division B are owned by Interpublic. Division A is hired to provide marketing services for a client. As part of the engagement, Division A is to provide brochures to the client. Division A has no relationship with printing vendors so Division A requests Division B to purchase the brochures. Division B purchases the brochures for $90
and gives them to Division A, who in turn gives them to the client. The client then pays Division A $100 for the brochures. The correct method of accounting would be as follows:

<table>
<thead>
<tr>
<th>Division A</th>
<th>Debit</th>
<th>Credit</th>
<th>Division B</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in Progress</td>
<td>$90</td>
<td></td>
<td>Intercompany A $90</td>
<td></td>
<td>$90</td>
</tr>
<tr>
<td>Intercompany B</td>
<td></td>
<td>$90</td>
<td>Cash</td>
<td></td>
<td>$90</td>
</tr>
<tr>
<td>(To record brochures from Division B)</td>
<td></td>
<td></td>
<td>(To record purchase of brochures)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>$100</td>
<td>Revenue</td>
<td></td>
<td>$100</td>
</tr>
<tr>
<td>(To record payment from client)</td>
<td></td>
<td></td>
<td>(To expense costs associated with revenue)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>$90</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work in Progress</td>
<td></td>
<td>$90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(To expense costs associated with revenue)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Note 17, it appears that in the above situation, the Company recorded all of the entries except for the last Division A adjustment. In fact, the Company may have gone as far as crediting Work In Progress and debiting Accounts Receivable. Either way, the expenses were understated by $90 in this example. The Company used this accounting manipulation to overstate income by approximately $20 million per year.

165. Interpublic's Class Period financial statements misrepresented the Company's true operating results and financial condition to the detriment of unsuspecting investors. In so doing, Defendants presented Interpublic's Class Period financial statements in a manner that also violated at least the following fundamental accounting principles:
(a) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions (Concepts Statement No. 1, ¶ 34);

(b) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events and circumstances that change resources and claims to those resources (Concepts Statement No. 1, ¶ 40);

(c) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (Concepts Statement No. 1, ¶ 50);

(d) The principle that financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (Concepts Statement No. 1, ¶ 42);

(e) The principle that financial reporting should be reliable in that it represents what it purports to represent. That information should be reliable as well as relevant is a notion that is central to accounting (Concepts Statement No. 2, ¶¶ 58-59);
(f) The principle of completeness, which means that nothing is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions (Concepts Statement No. 2, ¶ 79); and

(g) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (Concepts Statement No. 2, ¶¶ 95, 97).

166. Interpublic had a responsibility to maintain sufficient accounting controls to accurately report its financial results. It is well settled that the representations made by a company in its financial statements and in other financial disclosures to the public are the representations of that company’s management. Indeed, even when a company issues audited financial statements together with the report of that company’s independent auditors, that report always expressly provides that “the financial statements are the responsibility of [the company’s] management.”

167. According to SEC rules, to accomplish the objectives of accurately recording, processing, summarizing and reporting financial data, a company must establish an internal control structure. Section 13(b)(2) of the Exchange Act required that Interpublic:

(A) make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; and

(B) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that -

(i) transactions are executed in accordance with management’s general or specific
authorization;

(ii) transactions are recorded as necessary (a) to permit preparation of financial
statements in conformity with generally accepted accounting principles . . . and (b) to
maintain accountability for assets.

168. Contrary to the requirements of GAAP and SEC rules, Interpublic failed to implement
and maintain an adequate internal accounting control system. Since at least 1997, Defendants
knowingly or recklessly fostered a corporate culture that eschewed meaningful internal controls and
knowingly or recklessly disregarded their obligation to implement adequate controls to ensure that the
Company's expenses, liabilities, net income, and EPS were accounted for in compliance with GAAP.

Additional Sciente Allegations

1. The Company's Class Period acquisitions

169. By the material misrepresentations and omissions alleged herein, Defendants were able
to use the Company's artificially inflated common stock as currency in negotiating and consummating
several multi-million dollar acquisitions by Interpublic.

170. In 1997, Interpublic issued 4,059,255 shares of its common stock in acquisitions of
other companies accounted for under the pooling of interests accounting method, including Complete
Medical Group -- 708,789 shares; Integrated Communications Corporation -- 585,054 shares;
Advantage International -- 579,206 shares; and Ludgate -- 539,459 shares. Interpublic also paid $80
million in cash and issued an additional 1,200,059 shares of its common stock for acquisitions
accounted for as purchases and equity investments, including Marketing Corporation of America,
Medialog, The Sponsorship Group, Kaleidoscope and Addis Wechsler.
171. In 1998, Interpublic issued 7,478,267 shares of its common stock in acquisitions of other companies accounted for under the pooling of interests accounting method, including International Public Relations -- 2,640,173 shares; Hill, Holiday, Connors, Cosmopoulos, Inc. -- 2,062,434 shares; The Jack Morton Company -- 2,135,996 shares; Carmichael Lynch, Inc. -- 486,904 shares; and KBA Marketing -- 152,760 shares. Interpublic also paid $140 million in cash and issued an additional 1,359,252 shares of its common stock for acquisitions accounted for as purchases and equity investments, including Gillespie, Ryan McGinn, CSI, Flammini, Gingko, Defederico and Herrero Y Ochoa.

172. On November 9, 1999, Interpublic issued a press release announcing "the terms of a recommended share for share offer to be made by Interpublic to acquire all of the issued and to be issued share capital of Brands Hatch [Leisure plc]." At the date of the announcement, the existing issued share capital of Brands Hatch Leisure plc ("Brands Hatch") was valued at approximately $194 million.

173. On December 20, 1999, Interpublic issued a press release announcing that it had entered into an Agreement and Plan of Merger with NFO Worldwide, Inc. ("NFO"), pursuant to which Interpublic would acquire all of the outstanding shares of NFO, a leading provider of research based marketing information and counsel to the worldwide business community, in a stock-for-stock transaction. At the date of this announcement, the transaction was valued at $580 million.

174. In 1999, Interpublic paid a total of $180 million in cash and issued 8,393,893 shares of its stock to acquire 55 companies, including Brands Hatch.

175. On April 18, 2000, NFO's shareholders approved the merger and on April 20, 2000
the NFO merger was consummated. Pursuant to the terms of the merger agreement, which was revised on April 3, 2000, each NFO shareholder received .5503 shares of Interpublic common stock for each share of NFO common stock held on April 20, 2000.

176. In 2000, Interpublic paid a total of $500 million in cash and issued 26.8 million shares of its stock to acquire 77 companies, including NFO, which was acquired for 12.6 million shares, and Deutsche, Inc. and its affiliate companies, which were acquired for 6 million shares in November of 2000.

177. In 2001, Interpublic acquired 19 companies, including True North. To acquire True North, Defendants issued 58.2 million shares of Interpublic's common stock with a value of approximately $1.60 billion based on the market price of Interpublic's stock on June 22, 2001, the date the True North Acquisition closed.

2. Insider sales

178. Listed below is a chart illustrating Defendants' sales of their personally held Interpublic common stock during the Class Period.

<table>
<thead>
<tr>
<th>NAME</th>
<th>DATE</th>
<th>SHARES SOLD</th>
<th>PRICE*</th>
<th>PROCEEDS ($)</th>
<th>PERCENT OF HOLDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip H. Geier Jr.,</td>
<td>5/28/1998</td>
<td>69,518</td>
<td>58.21</td>
<td>4,046,642.78</td>
<td>5.3%1</td>
</tr>
<tr>
<td>Chairman of the Board</td>
<td>8/30/1999</td>
<td>251,367</td>
<td>39.91</td>
<td>10,072,056.97</td>
<td>10.9%2</td>
</tr>
<tr>
<td></td>
<td>9/12/2000</td>
<td>190,000</td>
<td>37.69</td>
<td>7,161,100.00</td>
<td>9.6%3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>510,885</strong></td>
<td><strong>21,239,799.75</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eugene P. Beard,</td>
<td>12/18/1998</td>
<td>25,000</td>
<td>72.2</td>
<td>1,805,000.00</td>
<td>3%4</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joseph Stedly,</td>
<td>12/17/1997</td>
<td>214</td>
<td>46.5</td>
<td>9,951.00</td>
<td>2.4%5</td>
</tr>
<tr>
<td>Vice President</td>
<td>11/2/1998</td>
<td>2,000</td>
<td>62.75</td>
<td>125,500.00</td>
<td>22%6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,214</strong></td>
<td><strong>135,451.00</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
* Prices reflect a two-for-one stock split effective July 15, 1999

1. Based on total holdings of 1,310,899 (common stock & options) reported in Interpublic’s Proxy filed on 4/16/98.

2. Based on total holdings of 1,265,189 (common stock & options) reported in Interpublic’s Proxy filed on 4/9/99.

3. Based on total holdings of 1,969,535 (common stock & options) reported in Interpublic’s Proxy filed on 4/11/00.

4. Based on total holdings of 836,204 (common stock & options) reported in Interpublic’s Proxy filed on 4/16/98.

5. Based on holdings of 9,000 reported on Form 4 filed on January 7, 1998.

6. Based on holdings of 9,102 reported on Form 4 filed on November 27, 1998.

7. Based on total holdings of 414,234 (common stock & options) reported in Interpublic’s Proxy filed on 4/16/98.

179. In the five years preceding the Class Period, defendant Dooner sold no shares of Interpublic common stock, defendant Studley sold 1,725 shares, and defendant Geier sold 128,870 shares. Although he had significant Interpublic stock sales in 1994, from January 1995 until the beginning of the Class Period, defendant Beard sold no shares of his personally held Interpublic stock.

180. In addition to the transactions listed above, there were 14 other Company insiders who sold a total of 841,653 shares for proceeds of approximately $40,057,369.

**APPLICABILITY OF THE FRAUD-ON-THE-MARKET DOCTRINE AND THE PRESUMPTION OF RELIANCE**

181. Lead Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Interpublic common stock met the requirements for listing, and was listed, on the New York Stock Exchange, a highly efficient market.
(h) as a regulated issuer, the Company filed periodic public reports with the SEC and regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases;

(c) the daily trading volume of the Company's common stock was substantial, with millions of shares traded each day;

(d) Interpublic was followed by securities analysts employed by several major brokerage firms, as discussed herein, who wrote reports that were distributed to the sales force and certain customers of such firms and were available to various automated data retrieval services;

(e) the misrepresentations and omissions alleged herein were material and would tend to induce a reasonable investor to misjudge the value of Interpublic common stock; and

(f) Lead Plaintiff and the members of the Class purchased their common stock during the Class Period without knowledge of the omitted or misrepresented facts.

182. Based upon the foregoing, Lead Plaintiff and the other members of the Class are entitled to a presumption of reliance upon the integrity of the market for Interpublic securities for the purpose of class certification as well as for ultimate proof of their claims on the merits. Lead Plaintiff will also rely, in part, upon the presumption of reliance established by material omissions and upon the actual reliance of the class members.

**NO STATUTORY SAFE HARBOR**

183. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the false statements pleaded in this complaint, because none of the statements pleaded herein are "forward-looking" statements nor were they identified as
“forward-looking statements” when made. Nor did meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the statements accompany those statements. To the extent that the statutory safe harbor does apply to any statements pleaded herein that are deemed to be forward-looking, the Defendants are liable for those false forward-looking statements, because at the time each of those statements were made the speaker knew the forward-looking statement was false and/or the statement was authorized and/or approved by an executive officer of the Company, who knew that the statement was false when made.

PLAINTIFFS’ CLASS ACTION ALLEGATIONS

184. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and 23(b)(3) on behalf of themselves and all persons other than Defendants who purchased or otherwise acquired the securities of Interpublic from October 28, 1997 to October 16, 2002, inclusive. Excluded from the Class are Defendants, members of the immediate family of each of the Defendants, any person, firm, trust, corporation, officer, director or other individual or entity in which any defendant has a controlling interest or that is related to or affiliated with any of the Defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

185. The members of the Class are so numerous that joinder of all members is impracticable. The precise number of class members is unknown to Plaintiffs at this time but is believed to number in the thousands. As of March 25, 2002, there were 380,213,714 shares of Interpublic common stock outstanding. The names and addresses of the Class members can be ascertained from the books and records of Interpublic or its transfer agent.

186. Plaintiffs will fairly and adequately represent and protect the interests of the members of
the Class and have retained counsel who are experienced and competent in class and securities litigation.

187. Plaintiffs' claims are typical of the claims of the other members of the Class because Plaintiffs and all the Class members' damages arise from and were caused by the same false and misleading representations and omissions made by or chargeable to Defendants. Plaintiffs do not have any interests antagonistic to, or in conflict with, the Class.

188. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Since the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it virtually impossible for the Class members to seek redress for the wrongful conduct alleged. Plaintiffs know of no difficulty which will be encountered in the management of this litigation that would preclude its maintenance as a class action.

189. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) Whether Defendants violated the federal securities laws as alleged herein;

(b) Whether the statements and public filings made by Defendants during the Class Period omitted and/or misrepresented material facts about Interpublic and its business;

(c) Whether Defendants acted with scienter in making such misrepresentations and/or omitting to state such facts;

(d) Whether the market price of the Company's common stock during the Class Period was artificially inflated due to the non-disclosures and/or misrepresentations complained
(e) Whether the members of the Class have sustained damages and if so, the appropriate measure of damages.

190. The names and addresses of the record owners of the shares of Interpublic common stock purchased during the Class Period are available from Interpublic’s transfer agent. Notice can be provided to such record owners by a combination of published notice and first-class mail using techniques and a form of notice similar to those customarily used in class actions arising under the federal securities laws.

COUNT 1

[Against Defendants Interpublic, Dooner, Orr, and Molz For Violations Of Section 11 Of The Securities Act]

191. Plaintiffs Doyle G. McClain and Wayne Gardner repeat and reallege each and every allegation contained above, excluding all allegations above that contain facts necessary to prove any elements not required to state a Section 11 claim, including without limitation, scienter. The claim asserted in Count I is not based on any allegation of fraud set forth in this Complaint, and no such allegation is incorporated in this Count.

192. This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, against defendants Dooner, Orr, and Molz, on behalf of all acquirers, other than Defendants, of Interpublic common stock in connection with the True North Acquisition pursuant to the Registration Statement, as described above.

193. As alleged above, the Registration Statement was false and misleading and contained,
or incorporated by reference, untrue statements of material facts, and omitted to state other facts necessary to make the statements made not misleading.

194. Interpublic is the registrant for the Registration Statement, and is strictly liable to acquirers of Interpublic common stock in connection with the True North Acquisition for the material misstatements and omissions contained in the Registration Statement.

195. Defendants Dooner, Orr, and Molz, either individually or through an attorney-in-fact, signed the Registration Statement and are responsible for the contents and dissemination of the Registration Statement.

196. None of the defendants named in this Count made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in or incorporated by the Registration Statement were true, without omissions of any material facts and were not misleading.

197. The defendants named in this Count issued, caused to be issued and participated in the issuance of materially false and misleading written statements to the investing public that were contained in or incorporated by the Registration Statement, which misrepresented or failed to disclose the facts set forth above. By reason of the conduct herein alleged, each defendant named herein violated Section 11 of the Securities Act.

198. Plaintiffs Doyle G. McClain and Wayne Gardner as well as other members of the Class acquired Interpublic common stock issued pursuant to the Registration Statement in exchange for their shares of True North common stock and were damaged thereby, because the value of Interpublic's common stock was artificially inflated at the time of acquisition due to Defendants' violations of the federal securities laws described herein.
At the time they acquired Interpublic shares, plaintiffs McClain and Gardner and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to October 16, 2002.

COUNT II

[Against defendants Dooner, Orr, and Molz 
For Violations of Section 15 of the Securities Act]

200. Plaintiffs Doyle G. McClain and Wayne Gardner repeat and reallege each and every allegation contained above, excluding all allegations above that contain facts necessary to prove any elements not required to state a Section 15 claim, including without limitation, scienter. The claim asserted in Count II is not based on any allegation of fraud set forth in this complaint, and no such allegation is incorporated in this Count.

201. This Count is brought pursuant to Section 15 of the Securities Act, 15 U.S.C. § 77m, against defendants Dooner, Orr, and Molz on behalf of all acquirers, other than Defendants, of Interpublic common stock in connection with the True North Acquisition pursuant to the Registration Statement, as described above.

202. As alleged above, defendants Interpublic, Dooner, Orr, and Molz violated Section 11 of the Securities Act. Defendants Dooner, Orr, and Molz were each control persons of Interpublic and each other by virtue of their position as senior officers, directors, and/or substantial shareholders of Interpublic.
COUNT III

[Against All Defendants For Violations Of Section 10(b) Of The Exchange Act]

203. Lead Plaintiff repeats and realleges each and every allegation contained above.

204. This Count is asserted against all Defendants and is based upon violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder.

205. During the Class Period, Defendants, and each of them, directly engaged in a common plan, scheme, and unlawful course of conduct, pursuant to which Defendants knowingly or recklessly engaged in acts, transactions, practices, and courses of business that operated as a fraud and deceit upon Lead Plaintiff and the other members of the Class, and made various deceptive and untrue statements of material facts and omitted to state material facts in order to make the statements made, in light of the circumstances under which they were made, not misleading to Lead Plaintiff and the other members of the Class. The purpose and effect of the scheme, plan, and unlawful course of conduct was, among other things, to induce Lead Plaintiff and the other members of the Class to purchase or acquire Interpublic securities during the Class Period at artificially inflated prices.

206. During the Class Period, Defendants, pursuant to this scheme, plan, and unlawful course of conduct, knowingly and recklessly issued, caused to be issued, and participated in the issuance and preparation of, deceptive and materially false and misleading statements to the investing public, as particularized above.

207. As a result of the dissemination of the false and misleading statements set forth above, the market price of Interpublic common stock was artificially inflated during the Class Period. In
ignorance of the false and misleading nature of the statements described above and the deceptive and manipulative devices and contrivances employed by Defendants. Lead Plaintiff and the other members of the Class relied, to their detriment, on the integrity of the market price of the stock in purchasing Interpublic common stock. Had Lead Plaintiff and the other members of the Class known the truth, they would not have purchased Interpublic shares or would not have purchased them at the inflated prices that were paid.

208. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they had a duty to promptly disseminate truthful information that would be material to investors, in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulations S-X (17 C.F.R. §210.01 et seq.) and other SEC regulations, including truthful, complete and accurate information with respect to the Company's operations and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

209. Lead Plaintiff and the other members of the Class have suffered substantial damages as a result of the wrongs herein alleged in an amount to be proved at trial.

210. By reason of the foregoing, Defendants directly violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder in that they: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon
Lead Plaintiff and the other members of the Class in connection with their purchases of Interpublic common stock during the Class Period.

COUNT IV

[Against The Individual Defendants For Violations of Section 20(a) of the Exchange Act]

211. Lead Plaintiff repeats and realleges each and every allegation contained above.

212. This Count is asserted against the Individual Defendants, and each of them.

213. The Individual Defendants, and each of them, acted as controlling persons of Interpublic within the meaning of Section 20(a) of the Exchange Act, as alleged herein. By virtue of their high-level positions, their substantial stock ownership, participation in and/or awareness of the Company’s operations and/or intimate knowledge of the Company’s true financial condition, the Individual Defendants had the power to influence and control, and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Lead Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company’s reports, press releases, public filings and other statements alleged by Lead Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

214. The Individual Defendants were each culpable participants in the violations of Section 10(b) of the Exchange Act and Rule 10b-5 alleged above.

215. As set forth above, Interpublic and the Individual Defendants violated Section 10(b)
and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of Interpublic, the Individual Defendants are also liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, on behalf of themselves and the Class, pray for judgment as follows:

A. Declaring this action to be a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

B. Declaring and determining that Defendants violated the federal securities laws by reason of their conduct as alleged herein;

C. Awarding money damages against Defendants in favor of Plaintiffs and the other members of the Class for all losses and injuries suffered as a result of the acts and transactions complained of herein, together with pre-judgment interest on all of the aforesaid damages that the Court shall award from the date of said wrongs to the date of judgment herein at a rate the Court shall fix;

D. Awarding Plaintiffs their costs and expenses incurred in this action, including reasonable attorneys', investigator, and experts' fees; and

E. Awarding Plaintiffs and other members of the Class such other and further relief as may be just and proper under the circumstances.
JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: January 10, 2003

BERNSTEIN LIEBHARD & LIFSHITZ, LLP

[Signature]

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