

## Milberg, partners indictment could come Thursday

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By Gina Keating

LOS ANGELES (Reuters) - Milberg Weiss Bershad & Schulman LLP, one of the best-known U.S. class-action securities law firms, and two of its partners could face indictment on Thursday in connection with a kickback probe but a settlement is still possible, two people familiar with the matter said.

A press conference scheduled for 3:15 p.m. ET (1915 GMT) to announce an indictment stemming from the investigation was pushed back to at least 5 p.m. ET (2100 GMT) due to what a U.S. Attorney's Office spokesman said were "circumstances beyond our control."

The U.S. Attorney's office is negotiating for a possible settlement to a multi-year investigation over whether the New York-based law firm made illegal payments to clients who agreed to act as plaintiffs in the firm's lawsuits against some of the biggest U.S. companies.

The pending indictment appeared to hinge on whether the firm would agree to some terms including to a large fine and surrendering its attorney-client privilege, or fight the charges, the people said.

Partners David Bershad and Steven Schulman, who have taken leaves of absence from the firm known for its legal attacks on corporate America, were expected to face charges as soon as Thursday, a lawyer familiar with the matter said.

A second person on Thursday emphasized that the situation was fluid and may not result in any charges in the near term.

"The firm has been cooperating with the government," Milberg spokeswoman Marina Ein said in response to a Wall Street Journal report that an indictment of the firm was expected. She declined to give further details.

The firm and its lead attorneys, Melvyn Weiss and William Lerach, who has since left Milberg to form his own firm, have been cast as villains by the corporations they target, and as a white knight by consumers groups.

By its own account, Milberg Weiss has won more than \$45 billion in its suits against corporations.

Cheryl L. Evans, special counsel for U.S. Chamber Institute for Legal Reform, said some plaintiffs' law firms have benefited far more than the shareholders they represent.

"A lot of plaintiffs' lawyers are getting rich," Evans said. "The system doesn't appear to be helping anyone but the lawyers."

Joanne Doroshov, executive director of the Center for Justice & Democracy, a nonprofit consumer rights organization that works on civil justice issues, would not comment on the investigation or a potential indictment.

"We know Milberg Weiss to have been at the forefront of efforts to protect shareholders from corporate abuse and wrongdoing around the country," Doroshov said in a statement.

According to data from the U.S. Chamber Institute for Legal Reform, from 1995 to 2005, the Milberg and Lerach firms combined accounted for 327, or 43 percent, of the securities class-action settlements and reaped \$1.7 billion in fees and expenses.

An indictment of Milberg Weiss likely would not have a chilling effect on shareholder litigation but could cripple the firm itself, said Richard Samp, chief counsel for the conservative public interest law firm, **Washington Legal Foundation**.

"It will make it very difficult for the firm to continue. Many of the top attorneys will likely leave," Samp said. "But I don't think this will lead to shortage of attorneys willing to take on plaintiffs' cases."

In late April, a retired mortgage broker from New Jersey pleaded guilty to taking \$2.5 million in illegal kickbacks from Milberg Weiss and lying about it.

Howard Vogel admitted to falsely denying having a secret deal to take a portion of legal fees earned by the firm in exchange for serving, or inducing family members to serve, as plaintiffs in about 40 suits between 1991 and 2005.

Two other people have been indicted in the case.

The firm has denied any wrongdoing and has characterized the investigation as politically motivated because of Lerach's close ties with the Democratic Party.

Lerach split from Milberg Weiss in 2004, and now leads the San Diego firm of Lerach Coughlin Stoia Rudman & Robbins. Weiss remained with Milberg Weiss.

(Additional reporting by Anna Driver)

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