Statement by Milberg Weiss Regarding Indictment

The Milberg Weiss law firm was informed today that federal prosecutors in Los Angeles have obtained indictments charging the firm and two of its partners, following a five-year investigation into the alleged misuse of "referral fees" paid by the firm. The government’s allegations of wrongdoing have been categorically denied by the indicted partners, and the firm intends to join with them in vigorously defending against the charges.

The firm is particularly incensed that the prosecutors decided to indict the firm itself. The firm has 125 attorneys and another 240 employees who, even according to the government, did not participate in or know anything about the matters at issue. But they will inevitably suffer serious personal and professional harm as a result of the government's actions.

The firm has held intense negotiations with government officials in Los Angeles and Washington over the past six months in an effort to avoid this unjust result. The government’s insistence that the firm waive attorney-client privileges as a condition to avoiding indictment is in derogation of one of the bedrock principles of American law and extended to parties the firm did not control. Governmental insistence on such broad waivers has been criticized by the American Bar Association and the U.S. Chamber of Commerce, and is currently being reviewed by Congress. The prosecutors also insisted that the firm make unfounded statements accusing its own partners of crimes and otherwise become an agent for the government. Unfortunately, the prosecutors insisted on indicting the firm unless it made these impossible concessions.

In an effort to address the government’s concerns about alleged misuse of referral fees, Milberg Weiss voluntarily adopted a system to ensure that no outside firm or attorney receiving a referral fee from Milberg Weiss would share any portion with a client. Milberg Weiss also retained the services of Bart M. Schwartz, a highly respected former Chief of the Criminal Division in the office of the U.S. Attorney for the Southern District of New York, to monitor the procedures and to develop a “best practices” program. The firm offered to have Mr. Schwartz report his ongoing efforts directly to federal prosecutors in Los Angeles. In addition, as previously reported, partners David Bershad and Steven Schulman have taken leaves of absence pending resolution of the charges filed against them, not because they believe they engaged in wrongdoing, but because they hoped doing so would avoid indictment of the firm. Indictment of the firm was completely unnecessary and unjust.

The government’s case depends on its position that the firm and its attorneys failed to provide full and “honest services” in prosecuting cases in furtherance of its clients’ interests. That charge is absurd on its face. The firm is renowned for achieving the best possible results for its clients and class members. In fact, the government makes no
allegation - nor could it - that the firm did not provide first rate, highest quality legal services to every one of its clients.

The firm is committed to continuing the zealous representation of its clients and has the attorneys, personnel, and resources to do so.

Milberg Weiss was founded in 1965 and was one of the first law firms to prosecute class actions in federal courts on behalf of investors and consumers. The firm pioneered this type of litigation and is now widely recognized as the nation's leading defender of the rights of victims against corporate and other large-scale wrongdoing. Recent litigation results include: Lucent Technologies Securities Litigation ($600 million recovery); Raytheon Co. Securities Litigation ($460 million recovery); Managed Care Litigation (recoveries over $1 billion and major changes in HMO practices); NASDAQ Market Makers Antitrust Litigation ($1 billion recoveries); Initial Public Offering Securities Litigation (partial settlements for guaranteed minimum of $1 billion); Holocaust Slave Labor and Victim Assets Litigation (pro bono representation leading to recoveries of approximately $7 billion); September 11 Victim Compensation Fund (pro bono representation of claimants from government fund).

For more information about the firm and the investigation, please visit www.milbergweissjustice.com.