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Dreier Firm Swindled Fees, Lawyers Claim

FRIDAY

Attorneys: Fees Funded 'Criminal Enterprise'

By Ciaran McEvoy

LOS ANGELES - High-profile Los Angeles lawyers Mark J. Geragos and Brian S. Kabateck are fighting an arbitration panel's nonbinding decision ordering them to pay \$55,000 in legal bills to a defunct law firm affiliated with ex-lawyer and convicted swindler Marc S. Dreier. They claim their money was used to fund Dreier's illegal activities without their knowledge and that they therefore shouldn't have to pay the remainder of an outstanding bill for legal services.

Dreier is serving a 20-year prison sentence for his role in a hedge fund fraud worth an estimated \$400 million.

"[Dreier's] law firm was part of this criminal enterprise," Kabateck said in an interview.

Attorneys with Dreier Stein Kahan Browne Woods George LLP were not aware of or involved in his criminal activities, the lawsuit states, but were "merely unsuspecting employees of the Dreier firm."

The case already has been litigated once: A three-person arbitration panel with the Los Angeles County Bar Association last October ruled against Geragos and Kabateck, ordering them to pay their bill. In response, they filed suit in Los Angeles County Superior Court, seeking to have the award thrown out and also claiming they were ripped off.

"We paid over \$100,000 in fees for stuff that was probably worth about \$20,000," Geragos said.

In addition to their legal practices, Geragos, of Geragos & Geragos PC, and Kabateck, of Kabateck Brown Kellner LLP, together own commercial property in downtown Los Angeles. In May 2008, they purchased the Fine Arts building for a reported \$23.5 million. They already own the Engine Co. No. 28 building, where they maintain their offices and for which they reportedly paid \$10 million.

In 2008, the Dreier Stein firm billed the two men more than \$158,000 for transactional work related to a restaurant purchase, a dispute with a tenant and an unnamed commercial lease transaction, court papers state.

Several months later, Marc Dreier, the sole equity partner at the firm, was arrested. In May 2009, he pleaded guilty to eight criminal charges, including securities fraud and wire fraud and was disbarred five months later. Lawyers at Dreier Stein broke off to form Brown Woods George LLP or merged with other law firms.

Defense attorneys said Geragos and Kabateck are using the Dreier scandal as an excuse to get out of paying a legitimate legal bill.

"They should just pay their bill," said Jesse A. Kaplan of Freedman & Taitelman LLP, who represents the defunct law firm in bankruptcy court.

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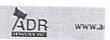
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Kaplan, who was appointed to represent Dreier Stein in Marc Dreier's involuntary Chapter 7 proceeding pending in Manhattan bankruptcy court, said the unpaid fees would go to Dreier's creditors - not to the attorneys who worked for Geragos and Kabateck.

"[The fees] were just, reasonable, fair and that's what the arbitrators determined," Kaplan said.

Kabateck said the panel didn't consider their money-laundering arguments in making its decision. The October arbitration also proceeded despite the absence of Geragos, who was in trial at the time.

Geragos and Kabateck are seeking a jury trial, judicial review of the arbitration award and declaratory relief and are suing under a breach-of-contract claim. Hagop Kuyumjian of the Geragos firm, is representing them.

In addition to Dreier himself, the lawsuit names Dreier Stein Kahan Browne Woods George LLP and Dreier LLP as defendants. *Geragos v. Dreier*, BC451084 (L.A. Super. Ct., filed Dec. 10, 2010)

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