

## Drexel's law firm—front for American Drug Lobby?

by Jeffrey Steinberg

The recent bankruptcy of Drexel Burnham Lambert ought to put the spotlight of federal investigators on the activities of America's largest law firm, Scadden Arps Slate Meagher and Flom. With over 1,000 lawyers, offices around the world, and total revenues in 1989 of over \$400 million, the biographies of the firm's principals read like a version of the Horatio Alger rags-to-riches sagas, but with gangster Meyer Lansky as the hero.

A bunch of street-wise kids, short on blue blood cells, go off to Harvard Law School, do brief tenures at the big WASP firms, set up shop in competition with Wall Street's older law firms, and walk away with a corner on the mergers and acquisitions market—by far the most lucrative area of corporate law today. If Scadden Arps someday comes to be known as the Coca Cola Bottling Company of the international legal profession, because its offices dot the globe, the epithet will be apt. Founders Marshall Skadden, Leslie Arps, and John Slate began as associates of the Wall Street firm of Root Clark Buckner and Ballantine, a firm run by Elihu Root, Jr., son of Coca Cola founder and Teddy Roosevelt brain truster Elihu Root.

### Buyouts, drugs, and arms deals

The firm has been at the center of virtually every major hostile corporate takeover in recent years. Its single largest corporate client, the investment house of Drexel Burnham Lambert, has not always landed on its feet in these leveraged buyout bashes, and the Drexel official who worked the closest with Scadden Arps, Michael Milken, is in jail for his indiscretions. According to one account, Scadden Arps was so anxious to satisfy Milken's insatiable appetite for leveraged buyouts that it created a fully staffed office in Los Angeles to service Drexel's West Coast whiz kid.

It is no wonder that several years back, after he pulled off the biggest corporate merger in history, Kenneth Bialkin left his senior post at Willkie Farr and Gallagher to join up with the new kids on the block. Bialkin is, of course, the former chairman of the Anti-Defamation League, the ADL, which masquerades as a Jewish civil rights group but is more accurately described as the American Drug Lobby. Bialkin brought some skeletons over with him, including his 1970s bout with the law involving client Robert Vesco's theft of several hundred million dollars from the Investors Overseas Service (IOS). Bialkin and Willkie Farr were initially ordered

to pay back \$30 million, because the courts felt that Bialkin had masterminded the looting scheme.

More recently, Bialkin brought Lebanese financier Edmond Safra into the American Express family, at the same time that drug enforcement and U.S. Customs officials in Switzerland and Latin America were probing suspicions that Safra was involved in a worldwide drug money-laundering apparatus. Bialkin was a minor celebrity at the time of the 1986 Iran-Contra scandal, through his representation of yet another client, Saudi billionaire Adnan Khashoggi, who lost his shirt when he helped underwrite some of Uncle Sam's shady arms deals with the Ayatollah.

These minor embarrassments seemed to have had little impact on his shift from the prestigious Willkie Farr to the more pugnacious Scadden Arps. Perhaps the path was smoothed by some old ADL cronies who had already established themselves at the New York-based firm. One senior partner, who runs the 40-lawyer office in Wilmington, Delaware, is Irving Shapiro, the former CEO of the Du Pont Corporation, who has been fingered by some sources as "Mr. Inside" in the Bronfman family's hostile takeover of the chemical giant. Edgar Bronfman is today the leading fundraiser for the ADL. Irving Shapiro's son Isaac is also a partner, having been recruited out of the Brahmin firm of Milbank Tweed and Hadley in a corporate raiding tactic referred to in the legal profession as "cherry picking." Isaac Shapiro brought with him most of the major Japanese real estate accounts in the United States, according to published accounts.

Robert Pirie, who runs the Scadden Arps office in Boston, is also familiar with Bialkin's friends at the ADL. He is the current head of all Rothschild financial operations in the United States. He apparently helped bring in another one of the firm's major corporate clients, Rothschild ally Sir James Goldsmith, and perhaps a second, British publishing mystery man Robert Maxwell.

One of the earliest of the Scadden partners, Joseph Flom, has been credited with pioneering the leveraged buyout scheme. Flom was the Scadden man behind the recent Kohlberg Kravis Roberts takeover of RJR Nabisco.

In the past 10 years, Scadden grew went from a respectably large law firm (160 attorneys and \$30 million in revenues in 1979) to the biggest in the world. Its clientele currently includes 175 of the Fortune 500, eighteen of the world's 25 largest banks, seven of the 10 largest Japanese banks doing business in the United States, and 23 of the 25 largest U.S. investment houses.

With clients engaged in every facet of the fast and loose international finance game, it is no surprise that Scadden Arps has also established itself as the nation's largest repository of experts on RICO, the federal racketeering statutes which have been used as a weapon in the corporate takeover wars as well as in political frameup prosecutions. The firm has published the two major attorney's textbooks on RICO.