

U.S. BUSINESS NEWS

Adelphia, Boies Firm Agree to Split

Cable Company Asked Special Counsel to Quit Over Ties to a Contractor

By **ROBERT FRANK**
 Staff Reporter of THE WALL STREET JOURNAL
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Boies, Schiller & Flexner LLP, the law firm led by star lawyer David Boies, resigned as special counsel to Adelphia Communications Corp. at the company's request after the cable company discovered business ties between members of Mr. Boies's family and a legal-document-management company used by Adelphia.

The resignation is an embarrassment to Mr. Boies, one of the country's highest-profile lawyers and an outspoken champion of corporate ethics. Mr. Boies and his firm have led the three-year legal cleanup of Adelphia, starting in the spring of 2002. Adelphia, Greenwood Village, Colo., was forced into bankruptcy and recently agreed to be sold following a financial scandal involving the controlling Rigas family.

According to documents filed in bankruptcy court in New York, several relatives of Mr. Boies indirectly own part of a document-management company called Amici LLC, which has stored and managed Adelphia's legal documents since 2002. Document-management services are critical to companies involved in complex litigation, since they consolidate legal documents into an electronic database.

Adelphia paid Amici between \$5 million and \$10 million for the service, according to Philip C. Korologos, the lead Boies Schiller lawyer on the Adelphia case. Mr. Korologos said some other Boies Schiller clients also use the Amici service, but declined to provide names. He said he has contacted some of them, and those that have been told of the ties haven't asked the firm to resign. Mr. Korologos said in his affidavit that Amici is a "leading" document-management company servicing a large number of clients.

Legal experts said the ownership stakes should have been disclosed to Adelphia. "It raises an appearance of impropriety," says Deborah Rhode, a professor of law at Stanford University and the director of the Stanford Center on Ethics. She adds that the selection of the document-management company really is "the client's decision."

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Mr. Korologos said Adelphia asked Boies Schiller to resign about two weeks ago, after Adelphia discovered what it considered a conflict.

Mr. Boies didn't return calls. Mr. Korologos said that any lack of disclosure was "inadvertent." He said that the relationship with Amici didn't harm the value of Adelphia in bankruptcy, and that the fees were approved by an Adelphia committee. He added that "we have not resigned because we have done anything unlawful or improper."

Mr. Korologos said he recommended that Adelphia hire Amici in 2002, shortly after Adelphia hired Boies Schiller. He said he wasn't aware of any Boies family ties to Amici at the time, and therefore didn't disclose them to Adelphia or its management.

Mr. Korologos said Adelphia got a 10% to 20% discount on Amici's standard rates. He added that the fees were approved by the U.S. trustee on the Adelphia case as well as by the bankruptcy court's fee committee, which compared the rates with those in other cases.

The issue first came to light in a hearing in July in U.S. Bankruptcy Court in the Southern District of New York. Kenneth Noble, a lawyer representing [Bank of Montreal](#), mistakenly claimed that Amici had financial ties to Mr. Boies and said that the service was difficult to use. Bank of Montreal is one of Adelphia's creditors, as well as a previous agent to the company, and is involved in lawsuits both against and with Adelphia.

Mr. Noble, a lawyer with Mayer, Brown, Rowe & Maw, said in the hearing that Amici is "an entity as I understand it, that was founded by David Boies and some other folks and is affiliated with the Boies Schiller law firm." Mr. Noble couldn't be reached for comment.

He said in the hearing that the Amici system "doesn't work" and that "documents are loaded in an unsearchable format and it's like a needle in a haystack trying to find something."

In an August affidavit, following Mr. Noble's comments, Mr. Korologos denied that Mr. Boies or the law firm has any financial stakes in Amici. He added, however, that several of Mr. Boies's children own indirect stakes in Amici through a company called Legal & Scientific Systems LLC. Mr. Boies's son David III owns 16.75% of Legal & Scientific, son Christopher owns 14.25%, and son Jonathan and daughter Caryl each own 13%. Legal & Scientific owns half of a company called Datatmine LLC, which owns 51% of Amici, according to Mr. Korologos. He said the balance of the Legal & Scientific ownership is held by David Boies III's siblings, children, nieces and nephews, according to Mr. Korologos. Mr. Korologos said he wasn't aware of the financial ties until the hearing in July with Mr. Noble.

The wife, mother and mother-in-law of Nick Gravante, a Boies Schiller partner, also own indirect stakes in Amici, Mr. Korologos said in his affidavit.

None of the Boies family members involved in Amici could be reached for comment last night. Mr. Gravante also couldn't be reached for comment.

--Laurie P. Cohen contributed to this article.

Write to Robert Frank at robert.frank@wsj.com

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