Plaintiff's Bar Brings Shareholder Suits
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The steep discount at which Bear Stearns Cos. is being sold to JPMorgan Chase & Co. could not have been more of a lightning rod for plaintiff's lawyers. A stock that sold last week for $30 and last year for $170 was suddenly worth all of $2.

San Diego's Coughlin Stoia Geller Rudman & Robbins, the former firm of onetime class action king William S. Lerach, struck first yesterday, filing a shareholder suit in Manhattan federal court.

The 40-page complaint filed on behalf of a group called Eastside Holdings Inc. spotlights a number of reassuring statements Bear Stearns executives had made about the investment bank's financial health, even after weakness in the market for mortgage-backed securities forced the closure of two Bear Stearns hedge funds. Such statements, the suit claims, were made as late as last week.

Salvatore J. Graziano, a partner at New York's Bernstein, Litowitz, Berger & Grossman, another prominent class action firm, also noted such statements in saying his firm would probably be filing an action soon as well.

"Our phones have been ringing off the hook," he said. "Shareholders want to know how they can reconcile what they heard last week and what happened Sunday. Some of them bought Bear Stearns stock on Friday."

Barbara Hart, the head of securities litigation at White Plains' Lowey Dannenberg Cohen & Hart, said the collapse of the Bear Stearns' hedge fund last summer had long ago raised questions about the bank's high leverage relative to capital. Indeed, the stock's drop since then had already led to shareholder suits.

Ms. Hart said claimants would focus on whether executives' reassurances on Bear Stearns' liquidity constituted "intentional recklessness."

"These concerns have been out there," she said.

JPMorgan is expected to assume most of Bear Stearns' liabilities, and the bank has said it expects the acquisition to ultimately cost around $6 billion, factoring in litigation.

The lead plaintiff in the shareholder suit against Bear Stearns will be the party a court determined suffered the biggest losses. That party will choose the lead counsel.

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