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7 UNITED STATES BANKRUPTCY COURT
8 NORTHERN DISTRICT OF CALIFORNIA
9 SAN FRANCISCO DIVISION

10 In re:

11 HELLER EHRMAN LLP,
12 Debtor.

CASE NO.: 08-32514

Chapter 11

Date: April 16, 2008

Time: 9:30 a.m.

Court: 235 Pine Street, 22nd Floor
San Francisco, CA

Judge: Honorable Dennis Montali

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16 **DECLARATION OF BRADLEY D. SHARP IN SUPPORT OF OFFICIAL**
17 **COMMITTEE OF UNSECURED CREDITORS' OPPOSITION TO MOTION FOR**
RELIEF OF AUTOMATIC STAY BROUGHT BY LIFELOCK, INC.

18 I, Bradley D. Sharp, declare as follows:

19 1. I am a Senior Vice President and consultant at Development Specialists, Inc.
20 ("DSI"), a financial and management consulting firm, with offices throughout the United States
21 and in England. My office is located at 333 South Grand Avenue, Suite 4070, Los Angeles,
22 California 90071-1524, Telephone 213/617-2717, Facsimile 213/617-2718. I file this declaration
23 in support of the opposition by the Official Committee of Unsecured Creditors to the motion for
24 relief from the automatic stay by LifeLock, Inc. ("Opposition"). Unless otherwise stated herein, I
25 have personal knowledge of the facts stated herein. To the extent that any information disclosed
26 herein requires amendment or modification upon DSI's completion of further analysis or as
27 additional information becomes available, a supplemental declaration will be submitted to the
28 Court reflecting the same.

1 2. Since 1976, DSI has primarily operated, managed, and consulted "troubled
2 businesses" on behalf of lending institutions/other secured parties, creditors, bondholder and/or
3 shareholder committees, and business owners. DSI also regularly provides consulting,
4 management, and financial advisory services for businesses operating under the Bankruptcy
5 Code.

6 3. On March 9, 2009, the Court entered its Order Authorizing Employment of DSI as
7 Consultants for Heller Ehrman, LLP ("Debtor") and the Official Committee of Unsecured
8 Creditors ("Committee").

9 4. DSI has initially been tasked with preparing a budget detailing the operational
10 costs of the liquidation and wind down of the Debtor through May 31, 2009.¹ This budget has
11 been internally referred to at times as the "wind down plan," but it is really more akin to a typical
12 cash collateral budget, and is essentially a work in process as actual numbers are input weekly
13 (the "Wind Down Plan").

14 5. The Wind Down Plan is a confidential business document that has only been
15 shared with the Debtor and the Committee, but I have been authorized to release the following
16 information.

17 6. After accounting for the projected expenses and accounts recovered, our current
18 estimate of the approximate cash amount available in the bankruptcy estate at the end of May,
19 2009, is approximately \$8.25 million. From this amount, the Court must note that the Debtor
20 scheduled priority claims slightly in excess of \$5,000,000. Thus, cash is very tight in the wind
21 down plan.

22 7. I am hopeful that this projection, in retrospect, will be found to be overly
23 conservative, and as set forth below, does not account for some of the largest accounts receivable
24 on contingent claims, but I do believe that it is a realistic estimate given the pace of the current
25 accounts receivable collections.

26 8. Accounts receivables will continue to be collected after May 31, 2009, and many

27 ¹ May 31, 2009 is an important date because it is the projected date for the Debtor to vacate its
28 last leased premises. It is possible that this date will be extended, but for now that is the projected
end date for the leased premises.

1 will be moved into a fee arbitration or collection action mode at or before that time, but costs will
2 also continue to accrue after May 31, 2009, and may offset all or most of those additional future
3 collections. DSI will hopefully be able to prepare a post-May 31, 2009 budget in the next thirty
4 days.

5 9. Excluded from this analysis are contingent fee accounts receivable, the preference
6 action against Bank of America, any claims against shareholders, and/or the estate's claims versus
7 other third parties (collectively the "Potential Claims").

8 10. The Potential Claims could well be representing the bulk of the assets available to
9 the estate to be distributed to unsecured creditors.

10 11. The Potential Claims include actions that would require significant funding to
11 bring. To illustrate, in a recent Chapter 11 case venued in the Northern District of California in
12 which DSI managed the wind down, *In re Tri Valley Growers* (Case No. 00-44089), counsel
13 Lovitt & Hannan, Inc. ("L&H") was hired to bring claims similar to the Potential Claims. L&H
14 and its co-counsel brought a defendant class action against the owners of Tri Valley on an hourly
15 basis (the "Hourly Case"), filed a claim against former accountants on a contingency basis (the
16 "Contingency Case"), and filed a claim against certain directors and officers on a modified
17 hourly/contingency basis (the "D&O Case"). Prior to filing the Contingency Case, L&H required
18 a \$1,000,000.00 cost deposit. Prior to filing the D&O Case, \$4,000,000.00 was set aside to fund
19 that action from start to finish. This investment of \$5,000,000.00, plus the funds that were paid
20 on the Hourly Case on a monthly basis, led to total recoveries that exceeded \$34,000,000.00.

21 12. Here, the problem the estate faces is that in order to even have the possibility of
22 bringing major claims against third parties (to the extent that any exist), the estate must conserve
23 cash so that it has a ready supply of available cash in the event if any such claims are found to
24 have merit.

25 13. Based on the foregoing, granting relief from stay to require the Debtor to expend
26 some of its limited estate resources to litigate an objection to a claim prior to there being any
27 determination of the potential dividend to unsecured creditors is not warranted.
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14. Relief from stay is also not warranted for a more basic reason – there is no reason to separate the LifeLock claim objection from other potential claim objections. Based on the tight cash position, the costs through confirmation of this case, and the uncertainty of the value of the Potential Claims, an estimate of the potential returns to unsecured creditors is speculative at best – especially given that no claims analysis has been conducted and the claims bar date has not even passed yet.

Executed on April 9, 2009, at Irvine, California.

/s/ Bradley D. Sharp
BRADLEY D. SHARP