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July 20, 2009

Minnie Loo
Office of the United States Trustee
San Francisco Divisional Office
235 Pine Street, Suite 700
San Francisco, California 94104-3401

VIA U.S. MAIL

Re: *In re Heller Ehrman LLP*, United States Bankruptcy Court Case No. 08-32514

Dear Ms. Loo,

As you know, we represent a putative class of over 800 former Heller Ehrman employees who did not receive their wages and other benefits when the firm ceased doing business in October 2008. We believe that our clients are the largest group of claimants in the Heller bankruptcy. Their combined claims exceed \$32 million. As I explained in our July 15, 2009 telephone conversation, our sense is that neither the Debtor nor the unsecured creditors committee is adequately pursuing claims against the former shareholders of Heller Ehrman or taking adequate measures to collect accounts receivable owed to the firm.

The 800 or more former employees we represent lack an adequate voice on the unsecured creditors committee. Only former shareholders have been selected to serve on the committee as a "voice" of employee claimants. We ask that the unsecured creditors committee be expanded to include at least one representative of the former employees who is not a former shareholder nor aligned with former shareholder interests. We understand that you recently contacted 80 or so employees with the largest claims, but only selected two former shareholders to join the unsecured creditors' committee. Thus, we and the 800 former employees we represent believe that the employees' voice is not heard on the committee.

It now appears that the absence of an employee voice on the committee has had deleterious consequences. According to our understanding, Heller Ehrman was owed over \$77 million in accounts receivable at the time it ceased doing business in October 2008. We believe the firm has collected very little on those accounts since the firm closed its doors. We expect that the accounts receivable are owed in most cases by clients whom the former shareholders have taken with them to other law firms. Those former shareholders have no incentive to encourage their current clients to pay their old debts to Heller at the same time the shareholders are working to establish new relationships between their clients and their new firms. Their economic incentive is to breach their fiduciary duty to their former firm and its creditors and to bring to their new firms all of the new income they can generate.

The former shareholders, who control the Debtor, appear unwilling to support serious efforts to collect debts owed by their current clients to the former Heller Ehrman, and little has been done. Accounts receivable become much more difficult to collect as time passes. Thus Heller Ehrman's total ineffectiveness or total lack of effort in collecting its accounts receivable in the last eight months has extremely prejudiced creditors of the Estate, including the former employees (who according to priority are the first to be paid out of the Estate). This problem grows worse as time passes and nothing productive seems to be accomplished.

By contrast, we are familiar with the situation involving Thelen LLP, another large San Francisco-based law firm that ceased doing business around the same time as Heller Ehrman in 2008. We are class counsel for the certified class of former Thelen employees who were terminated in late 2008. Unlike Heller, the Thelen accounts receivable collection effort is controlled not by the former shareholders but by its primary lender Citibank. The Thelen firm had a roughly equivalent amount of aggregate accounts receivable (i.e. around \$77 million in 2008). Since ceasing to do business, the Thelen firm has been much more effective in collecting accounts receivable. Thelen has collected over \$50 million of its accounts receivable during the same time that the Heller Ehrman Estate has collected only about \$8 million.

We have no reason to believe that Heller Ehrman's former clients have less ability to pay their bills than Thelen's former clients. Indeed, Heller Ehrman even had a slogan—"Lawyers of choice for clients of choice"—to reflect its careful selection of clients.

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We also observe that the Heller Ehrman Estate has done nothing tangible to pursue liability of its former shareholders under a *Jewel v. Boxer* theory, fraudulent transfer theory, breach of fiduciary duty theory, or any other theory. Again, we suspect that the fact that both the Debtor and the unsecured creditors committee are influenced by shareholders or former shareholders, not employees, might explain this dilatory approach toward pursuing the shareholders. To make matters worse, a former Heller Ehrman shareholder (Jonathan Hayden) has been hired at his new firm Lovitt & Hannan to perform a supposedly "independent" analysis of whether Heller Ehrman should sue the shareholders or their clients. To date, we are unaware of a *single lawsuit* that the Debtor or the unsecured creditors committee has filed against the former shareholders, their current firms, or the clients that those shareholders took with them from Heller Ehrman.

We understand that the members of the unsecured creditors committee have a fiduciary duty to protect the interests of the Estate for the benefit of all unsecured creditors. However, if Bernard Madoff taught us anything, it is that the mere existence of a fiduciary duty is sometimes not alone sufficient to protect innocent parties. It is better to install as many disinterested observers as possible. It is not only possible in this instance, it is simple. If you will allow them to join the unsecured creditors committee, we will identify one or more suitable employee representatives to serve.

Please let us know if you will allow the employees to put one or more representatives on the unsecured creditors committee.

Sincerely,



Craig M. Collins
BLUM COLLINS LLP

cc: Thomas Willoughby
John Fiero
David Minnick