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Heller Starts Dissolution Process

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A day after telling employees that the firm would close its doors, Heller Ehrman has dissolution counsel and a dissolution committee in place, San Francisco managing partner Barry Levin said on Friday.

Though the results of Friday's formal shareholder vote to dissolve had not been tabulated, the firm is taking its first steps toward the "orderly wind-down of the firm," said Levin, who chaired the firm from 1998 to 2004.

Heller has hired Leslie Corwin of Greenberg Traurig as dissolution counsel and has formed a dissolution committee, on which four Heller partners sit, said Peter Benvenuti, the San Francisco bankruptcy partner leading the committee. The other partners are Jonathan Hayden and Paul Sugarman in San Francisco and New York's Lynn Loacker.

There seemed to be no doubt Friday that the vote would favor dissolution, which would also formalize a plan in which Benvenuti's committee would effectively become management of the firm.

The fate of various practice groups remains the object of much speculation, including that former merger candidates Winston & Strawn or Baker & McKenzie might end up taking significant portions of the firm. Some of Heller's real estate has been shown to potential buyers, Levin said, but nothing is clear since other firms may take on whole offices.

"Some of the opportunities that we're considering are large enough that they would involve a need to take over some portion of our space in various locations," Levin said.

"There's a possibility that we'd end up with many of the lawyers in various offices, including the San Francisco office, remaining in the same place working with the same colleagues but under a new name," Benvenuti said.

The firm's banks seized control of accounts receivable, unbilled time and expenses last week, a current partner said. And a source familiar with the firm's financial situation said its lead bank is Bank of America, while Citibank is also a lender. Staff will be paid, but partners will not, a partner in the firm said.

The key issue for firms facing dissolution is remaining solvent by cooperating with banks in getting partners to collect unpaid bills, said Ward Bower, a consultant with Altman Weil. Though they aren't getting paid, there's still a good reason for partners to spend time on collections. "If they don't collect enough to fulfill their obligations ... then it's going to come out of their pockets," Bower said.

Management also should work to help partners find new homes quickly, he added, so the firm can try to shed expensive office space.

Courtesy is helpful, too.

"You want to try to do this as amicably as possible so that you don't end up with lawsuits between former partners," he said.

Thursday's announcement from Chairman Matthew Larrabee of the plans to dissolve came about 10 days after the firm's most recent merger talks, with Chicago's Mayer Brown, collapsed. A group of 14 intellectual property litigators announced their plan to leave the firm at the same time.

Levin said the firm plans to wind down by the end of November with only a small skeleton staff remaining after that period to handle client matters, collect billing and handle final loose ends.

In the meantime, attorneys and staff should take time to secure new jobs, he said, and to reflect not on the last few weeks, but on the history of the 118-year-old firm.

"We want everybody to literally step back and take a deep breath, to focus on their futures, to focus on creating opportunities for our lawyers and our staff who are an incredibly talented group," Levin said. The firm counted about 1,200 lawyers and staffers at the start of September. The former chairman said he hoped people would focus on all of the great things the firm has been.

"This is as hard and difficult a moment as one can imagine," said Levin. "There is so much affection for the firm and for the people and, whatever else is going on, that affection is coming out and really is the best of what Heller Ehrman has been."