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June 3, 2009 12:03 PM

### **Greenberg Traurig Faces Investigation Over Heller Ehrman Representation**

Posted by Ross Todd

[Greenberg Traurig](#) is facing an investigation stemming from the firm's work in the run-up to Heller Ehrman's bankruptcy filing. The Recorder's Amanda Royal cites a filing in the bankruptcy and an attorney representing Heller's creditors committee in [today's story](#).

Royal writes:

"At issue is Greenberg's apparent failure to discover that Heller's biggest creditor, Bank of America, had terminated its security interest in the firm. Lawyers familiar with the matter say that Heller, which retained Greenberg last summer, would have had much better leverage with its banks and other creditors if it had known BofA wasn't a secured creditor and may have even been able to avoid bankruptcy."

Michael St. James, a solo bankruptcy practitioner representing a group of vested retirees who are among Heller's creditors told Royal, "You have to imagine that if Heller had known [the bank's situation] for months before, it might have negotiated a much more orderly dissolution, and one that would have caused much less pain to everyone involved."

BofA has characterized the termination of its security interest in the firm as a "[clerical error](#)." The bank has been [sued by Heller's other creditors](#), who want BofA to return \$51 million paid to it by Heller in the 90 days leading up to the bankruptcy filing

Sources close to the case told Royal that Greenberg's failure to search Heller's public Uniform Commercial Code filings when it was first retained midyear last year is the main issue under investigation.

Greenberg Traurig responded to a request for comment with a statement.

"As previously disclosed in Greenberg Traurig's retention papers, we were advised that the creditors' committee believes there should be a review of the firm's representation of Heller Ehrman prior to the bankruptcy," the statement said. "We have not yet...been contacted... with respect to any investigation concerning the pre-bankruptcy services our firm provided. We are proud of the results we have achieved and the work we have done, and continue to do, for Heller Ehrman."

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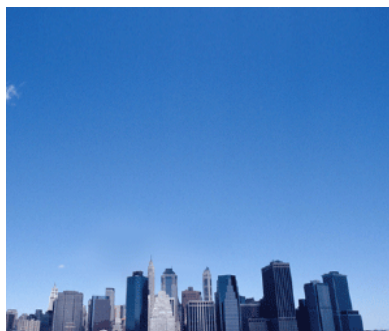
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