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ATTORNEYS AT LAW  
LOS ANGELES, CALIFORNIA

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9 Attorneys [Proposed ] for Debtors and  
10 Debtors in Possession

11 UNITED STATES BANKRUPTCY COURT  
12 DISTRICT OF NEVADA

13 In re:  
14 VESCOR DEVELOPMENT, LLC,  
15 Debtor.

Chapter 11  
Case No. 07-15210 MKN  
Case No. 07-15211 MKN  
Case No. 07-15212 MKN  
Case No. 07-15213 MKN

16 In re:  
17 ADL 1, LLC,  
18 Debtor.

Jointly Administered Under  
Case No. 07-15213 MKN  
Date: November 13, 2007  
Time: 9:30 a.m.

19 In re:  
20 IDL 9, LLC,  
21 Debtor.

**DECLARATION OF RICHARD M. PACHULSKI IN SUPPORT OF APPLICATION TO EMPLOY PACHULSKI STANG ZIEHL & JONES LLP AS CO-COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION, *NUNC PRO TUNC***

22 In re:  
23 JDL 10, LLC,  
24 Debtor.

25 Affects:  
 All Debtors  
 Vescor Development, LLC  
 ADL 1, LLC  
 IDL 9, LLC  
 JDL 10, LLC

1 I, Richard M. Pachulski, declare and state as follows:

2 1. I am an attorney duly admitted to practice law in the State of California.

3 2. I am a partner in the law firm of Pachulski Stang Ziehl & Jones LLP (the “Firm”).

4 I make this declaration in support of the *Application to Employ Pachulski Stang Ziehl & Jones*  
5 *LLP as Co-Counsel for Debtors and Debtors in Possession* (the “Application”).<sup>1</sup>

6 3. As set forth in the Application, the Firm is proposed bankruptcy co-counsel for  
7 Vescor Development, LLC, ADL 1, LLC, IDL 9, LLC, and JDL 10, LLC, the above-captioned  
8 debtors and debtors in possession (collectively, the “Debtors”).

9 4. The name, address, telephone number, and facsimile number of the Firm is as  
10 follows:

Pachulski Stang Ziehl & Jones LLP  
10100 Santa Monica Blvd., 11<sup>th</sup> Floor  
Los Angeles, California 90067  
Telephone: (310) 277-6910  
Facsimile: (310) 201-0760

11  
12  
13  
14 **The Necessity for Employment of the Firm**

15 5. The Debtors will need legal services relating to, among many other matters,  
16 interaction and negotiation with creditors of the estates, formulation of a plan of reorganization,  
17 protection of the Debtors’ rights as debtors in possession, analysis of valuations of assets,  
18 analysis of and objections to claims filed against the Debtors, evaluation and prosecution of  
19 claims held by the Debtors, and proper performance of their duties under the Bankruptcy Code,  
20 the Bankruptcy Rules and the United States Trustee Guidelines.

21 6. The Debtors seek to employ PSZJ because the Firm has extensive experience in  
22 the areas of insolvency, business reorganizations, litigation and other debtor/creditor matters,  
23 including all of the matters listed above.

24 7. The Firm was retained by the Debtors prior to the Petition Date. A copy of the  
25 Retention Agreement is attached to the Application as Exhibit A. At the time the parties entered  
26

<sup>1</sup> Capitalized terms not defined herein shall have the meanings ascribed to them in the Application.

1 into the Retention Agreement and the filing of the Chapter 11 Cases, the Firm's name was  
2 Pachulski Stang Ziehl Young Jones & Weintraub LLP. The name was changed to Pachulski  
3 Stang Ziehl & Jones LLP effective September 1, 2007. Pursuant to the Retention Agreement, the  
4 Firm was also retained by Apex Number One, LLC ("Apex"), a related, non-debtor entity. PSZJ  
5 began providing services to the Debtors and Apex on May 18, 2007, including, but not limited  
6 to, negotiating an out of court workout agreement with creditors of the Debtors and affiliated  
7 entities, preparing for the filing of the Chapter 11 cases and advising the Debtors regarding the  
8 formulation of a plan of reorganization.

9 8. Because of the Firm's involvement with the Debtors prior to the Petition Date and  
10 its expertise in bankruptcy law, the Debtors requested that PSZJ serve as counsel for the Debtors  
11 in these chapter 11 cases. Further, due to its involvement in the prior bankruptcy cases of  
12 various related entities, its expertise in bankruptcy matters and because of its location in Las  
13 Vegas, Nevada, the Debtors, in consultation with PSZJ, determined that it would be in the best  
14 interests of the estates to employ Fennemore Craig, P.C. as co-counsel to the Debtors to work  
15 with PSZJ in these Chapter 11 Cases. PSZJ and Fennemore Craig have the accessibility,  
16 experience, expertise and resources that enable them to provide the multi-faceted legal services  
17 needed by the Debtors in these cases.

18 9. PSZJ and Fennemore Craig have coordinated dividing the tasks to be performed  
19 by co-counsel for the Debtors and will continue to work closely with each other to avoid any  
20 duplication of efforts and to provide the Debtors with the necessary legal services. PSZJ will be  
21 taking the lead in negotiations and restructuring work that it has been working on prior to the  
22 bankruptcy, and with respect to formulation and drafting of a plan of reorganization and will also  
23 be taking the lead in responding to the motion of the United States Trustee for appointment of a  
24 chapter 11 Trustee, and Laurel Davis of Fennemore Craig will be taking the lead on  
25 administration of the cases and appearances at hearings on day to day matters, including filing of  
26

1 the Debtors statements and schedules and post-petition financing, with input assistance from  
2 PSZJ on specific matters.

3 **The Qualifications of the Firm**

4 10. The Firm or members of the Firm have served as general bankruptcy counsel to a  
5 wide range of debtors in various industries, including many real estate cases. Cases in which the  
6 Firm has served as debtor's counsel include the following: Aegis Mortgage Corp., AgriBioTech,  
7 American Rice, AmeriServe Food Distribution. Toni Braxton. Breed Technologies, Buffums,  
8 Cable & Wireless USA, Clarent Corporation, Commonwealth Equity Trust, Covad  
9 Communications Group, Deltagen, Dice Inc., F&C Corp., Federal-Mogul, Fresh Choice,  
10 Gateway Educational Products, Gencor, General Media Int'l, Harnischfeger Industries,  
11 HealthCentral.com, HomePlace of America, Imperial Hotels Corporation, Integrated Telecom,  
12 Express, Kestrel Solutions, Landels, Ripley & Diamond LLP, LogoAthletics, Mortgage Lenders  
13 Network USA, Inc., Ownit Mortgage Solutions, Inc., MVP.com, Pacific Gateway Exchange,  
14 PG&E Corporation, Penguin's Frozen Yogurt/Penguin's Place, People's Choice Home Loans,  
15 Plainwell, Quokka Sports, RBX Corporation, Redback Networks, San Fernando (Mission)  
16 Community, Hospital, Sargent-Fletcher, Sizzler International, Sunbelt Nursery Group, TIE  
17 Communications, Track 'n Trail, Trans World Airlines, TreeSweet Juice Company, Tri Valley  
18 Growers, Michael G. Tyson, Webvan Group, Whitehouse Hotel, Worlds of Wonder, W.R. Grace  
19 & Company, Yipes Communications and Zenith Electronics., Inc.,

20 11. The Firm also has represented official unsecured creditors committees in  
21 numerous cases, including the following: America West Airlines, At Home Corporation  
22 (Bondholders' Committee), Bugle Boy, B.U.M. International, C&R Clothiers Inc., Caribbean  
23 Petroleum, Centerpoint Broadband Technologies, Inc., Country Home Bakers, Direct TV Latin  
24 America, First Capital Holdings Corporation, General Cinemas, Guy F. Atkinson Company,  
25 iLogistix, Key3Media, Loews Cineplex Entertainment, Lynx Golf, Mariner, Post-Acute  
26 Network, Metricom, Northpoint Communications, Pennsylvania Fashions, Pizza Time Theaters,

1 Quintex Entertainment, Software Logistics Corporation, Specialty Restaurants, Twin Cities  
2 Avanti Stores, and Western Integrated Networks.

3 12. The Firm also has extensive experience in representing trustees, secured lenders,  
4 individual creditors, special interest committees, asset purchasers, and investors, in both in and  
5 out-of-court restructurings. A copy of the qualifications of the Firm's attorneys currently  
6 assigned to the case is attached to the Application as Exhibit B.

7 13. The Firm's depth of experience in the areas of insolvency, business  
8 reorganizations, and debtor/creditor matters makes it uniquely qualified to represent the Debtors.

9 **The Legal Services to be Provided by the Firm for the Debtors**

10 14. Without being exhaustive, the Firm will render the following types of legal  
11 services to the Debtors:

12 a. Advising and representing Debtors concerning the rights and remedies of  
13 the estate in regard to the assets of the estate, and with respect to the secured, priority and general  
14 claims of creditors;

15 b. Advising and representing the Debtors in connection with financial and  
16 business matters, including the sale of any assets;

17 c. Advising and representing the Debtors in connection with investigation of  
18 potential causes of action against persons or entities, including, but not limited to, avoidance  
19 actions, and the litigation thereof if warranted;

20 d. Representing the Debtors in any proceeding or hearing in the Bankruptcy  
21 Court, and in any action in other courts where the rights of the estates may be litigated or  
22 affected;

23 e. Conducting examinations of witnesses, claimants, or adverse parties and  
24 preparing and assisting in the preparation of reports, accounts, applications and orders;

25 f. Advising and representing the Debtors in the negotiation, formulation, and  
26 drafting of any plan of reorganization and disclosure statement;

1 g. Advising and representing the Debtors in the performance of their duties  
2 and exercise of their posers under the Bankruptcy Code, the Bankruptcy Rules, the Local  
3 Bankruptcy Rules and the Region 17 United States Trustee Guidelines; and

4 h. Providing to the Debtors such other necessary advice and services as the  
5 Debtors may require in connection with these Chapter 11 Cases.

6 **Compensation of the Firm by the Debtors and Other Disclosures**

7 15. Within the year prior to the Petition Date, the Firm received a \$150,000 retainer  
8 from the Debtors and Apex for prepetition insolvency related services. In conjunction with the  
9 bankruptcy filing, the Debtors and Apex agreed to the application of the \$150,000 to the Firm's  
10 prepetition fees and expenses (subject to reconciliation)<sup>2</sup> and the Firm did so apply the \$150,000.  
11 As a result, there are no amounts owed to the Firm as of the Petition Date. After the  
12 reconciliation, the Firm will return to the Debtors and Apex any unused portion of the \$150,000.

13 16. Prior to the filing of these Chapter 11 Cases, the Firm received a \$250,000  
14 retainer (the "Retainer") from the Debtors for postpetition services. The Firm is currently  
15 holding the Retainer. The Retainer was paid by the Debtors from a loan they received from  
16 Vescor Capital, a related entity, for the purpose of funding the Retainer. The Retainer is not a  
17 fixed price for the Firm's services, and the Firm reserves the right to seek additional  
18 compensation beyond the amounts covered by the Retainer in accordance with applicable  
19 provisions of the Bankruptcy Code. Bankruptcy Rules, UST Guidelines and Orders of this  
20 Court.

21 **Compliance with Section 327(a) of the Bankruptcy Code and Bankruptcy Rule 2014**

22 17. The Firm has made the following investigation prior to submitting this verified  
23 statement. The Firm has undertaken a thorough review of its computerized database, which  
24 contains the names of clients and other parties interested in particular matters. The Firm requires  
25 all of its professionals, before accepting the representation of a new client, or the representation

26 <sup>2</sup> The firm estimated its prepetition fees and costs and applied the \$150,000 to those fees and costs. If the actual amount of fees and costs are less than \$150,000, the Firm will return any unused amount to the Debtors.

1 of an existing client in a new matter, to perform a conflicts check through the Firm's database  
2 and to enter into that database pertinent information regarding new clients or new matters. Thus,  
3 a review of the database should reveal any and all actual or potential conflicts of interest with  
4 respect to a potential representation.

5 18. The Firm conducted a conflict check of the Debtors, affiliated entities and  
6 creditors of the Debtors identified on the list attached hereto as **Exhibit 1**. The Firm's  
7 investigation has not revealed any actual or potential conflicts of interest with respect to the  
8 Firm's proposed representation of the Debtors.

9 19. To the best of my knowledge, except as disclosed herein, no attorney at the Firm  
10 has any connection with the Debtors, creditors, any other party in interest, their respective  
11 attorneys and accountants, the United States Trustee, any person employed in the Office of the  
12 United States Trustee, or any insider of the Debtors except as described below:

13 20. PSZJ represents many committees, whose members may be creditors in the  
14 Chapter 11 Cases, however, the Firm is not representing any of those entities in the Chapter 11  
15 Cases and will not represent any members of these committees in any claims that they may have  
16 collectively or individually against the Debtors.

17 21. This Firm and certain of its shareholders, counsel and associates may have in the  
18 past represented, and may currently represent and likely in the future will represent creditors of  
19 the Debtors in connection with matters unrelated to the Debtors and these Chapter 11 Cases. At  
20 this time, PSZJ is not aware of any current representations in unrelated cases of parties who are  
21 creditors or other parties on the conflicts check list attached hereto as **Exhibit 1**.

22 22. PSZJ will periodically review its files during the pendency of these chapter 11  
23 cases to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new  
24 relevant facts or relationships are discovered or arise, PSZJ will use reasonable efforts to identify  
25 any such further developments and will promptly file a supplemental affidavit pursuant to Rule  
26 2014(a) of the Bankruptcy Rules.

1           23.     PSZJ has agreed that it will represent only the Debtors with respect to these  
2 matters. If a dispute arises between one or more of the Debtors regarding intercompany claims,  
3 PSZJ will facilitate the retention of special counsel to handle the dispute on behalf of each of the  
4 Debtors. Likewise, if a similar dispute arises between one or more of the Debtors and an  
5 affiliate, PSZJ will not represent any party to the dispute, and PSZJ will instead facilitate the  
6 retention of special counsel to represent each party involved in the dispute.

7           24.     PSZJ is a “disinterested person” as that term is defined in section 101(14) of title  
8 11 of the United States Code (“the Bankruptcy Code”) in that the Firm, its shareholders, counsel  
9 and associates:

- 10                   •     are not creditors, equity security holders or insiders of the Debtors;
- 11                   •     are not and were not within 2 years before the date of the filing of the  
12 Debtors’ chapter 11 petitions, a director, officer, or employee of the Debtors;
- 13                   •     do not have an interest materially adverse to the interest of the Debtors’  
14 estates or of any class of creditors or equity security holders, by reason of any  
15 direct or indirect relationship to, connection with, or interest in, the Debtors,  
16 or for any other reason, except as disclosed herein.

17                   **Compliance with Bankruptcy Rule 2016**

18           25.     The Debtors propose to pay the Firm its customary hourly rates in effect from  
19 time to time and to reimburse the Firm for its expenses according to its customary  
20 reimbursement policies. The attorneys, and paralegal, currently expected to be principally  
21 responsible for this matter, and their respective hourly rates, are as follows: Attorneys Richard  
22 M. Pachulski (\$795), Dean A. Ziehl (\$750), Stanley E. Goldich (\$595), Nina L. Hong (\$450) and  
23 Paralegal, Patricia J. Jeffries (\$200). The hourly rates of the Firm’s other attorney and  
24 paraprofessionals are attached to the Application as Exhibit C.

25           26.     The hourly rates set forth in Exhibit C to the Application are the Firm’s standard  
26 hourly rates for work of this nature. There rates are set at a level designed to fairly compensate  
the Firm for the work of its attorneys and paraprofessionals and to cover fixed and routine  
overhead expenses. It is the Firm’s policy to charge its clients in all areas of practice for all other

1 expenses incurred in connection with the client’s case. The expenses charged to clients include,  
2 among other things, telephone and telecopier toll and other charges, mail and express mail  
3 charges, special or hand delivery charges, document retrieval, photocopying charges, charges for  
4 mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to  
5 outside copying services for use in mass mailings, travel expenses, expenses for “working  
6 meals,” computerized research, transcription costs, as well as non-ordinary overhead expenses  
7 such as secretarial and other overtime. The Firm will charge the Debtors for these expenses in a  
8 manner and at rates consistent with charges made generally to the Firm’s other clients.

9 27. The Firm categorizes its billing into subject matter categories in compliance with  
10 the *Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses*  
11 *Filed under 11 U.S.C. § 330 adopted by the Executive Office for United States Trustees pursuant*  
12 *to 28 U.S.C. § 586(a)(3)(A)* (the “Fee Guidelines”). The Firm understands that its compensation  
13 in these cases is subject to approval of this Court, after notice and a hearing, in accordance with  
14 section 330(a) of the Bankruptcy Code, Bankruptcy Rule 2016, and the Fee Guidelines, as an  
15 expense of administration pursuant to sections 507(a) and 503(b) of the Bankruptcy Code. The  
16 Firm may seek interim compensation during the cases as permitted by section 331 of the  
17 Bankruptcy Code.

18 28. There are no arrangements between the Firm and any other entity for the sharing  
19 of compensation received or to be received in connection with this case, except insofar as such  
20 compensation may be shared among the shareholders, of counsel, and associates of the Firm.

21 29. On September 25, 2007, the Debtors participated in an Initial Debtor Interview  
22 (“IDI”) with the Office of the U.S. Trustee, with Mr. Southwick and Jeff Galyean in attendance,  
23 and Mr. Southwick’s counsel appearing via telephone. Laurel E. Davis of Fennemore Craig P.C.  
24 and Dean A. Ziehl of PSZJ appeared at the IDI as counsel for the Debtors. In response to certain  
25 questions at the IDI, and on the advice of his counsel, Mr. Southwick asserted his Fifth  
26 Amendment Privilege against self-incrimination.

