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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF CALIFORNIA**

In re  
SULLIVAN INTERNATIONAL  
GROUP, INC.,  
  
Debtor.

CASE NO. 15-02281-LT11

Chapter 11

**DECLARATION OF BRUCE  
QUATTRONE IN SUPPORT OF JOINT  
MOTION OF THE DEBTOR AND THE  
OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS FOR:**

**(I) AN ORDER (A) ESTABLISHING  
BIDDING PROCEDURES  
RELATING TO THE SALE OF  
SUBSTANTIALLY ALL OF THE  
DEBTOR'S ASSETS; (B)  
ESTABLISHING PROCEDURES  
RELATING TO THE ASSUMPTION  
AND ASSIGNMENT OF CERTAIN  
EXECUTORY CONTRACTS AND  
UNEXPIRED LEASES, INCLUDING**



1 I, Bruce Quattrone, declare as follows:

2 1. I am an individual over the age of majority and am competent to testify  
3 as to the facts set forth in this declaration.

4 2. I own a 33.05 percent interest in Sullivan International Group, Inc.  
5 (“SIG, or “Debtor”), the debtor and debtor in possession herein, in the form of  
6 common stock. I am also the Debtor’s Executive Vice President. In my capacity as  
7 Executive Vice President, I manage the Debtor’s operations and implement business  
8 strategy, and am familiar with the Debtor’s books and records maintained in the  
9 normal course of business. The facts and matters set forth herein are true upon my  
10 own personal knowledge, except for where based on the records of the Debtor  
11 maintained in the normal course of business, and, if called to testify, I could and  
12 would competently testify thereto.

13 3. I make this declaration in support of the Joint Motion of the Debtor and  
14 the Official Committee of Unsecured Creditors for (I) an Order (A) Establishing  
15 Bidding Procedures Relating to the Sale of Substantially All of the Debtor’s  
16 Assets;(B) Establishing Procedures Relating to the Assumption and Assignment of  
17 Certain Executory Contracts and Unexpired Leases, Including Notice of Proposed  
18 Cure Amounts; Approving Form and Manner of Notice of All Procedures, Schedules,  
19 and Agreements; Scheduling a Hearing to Consider the Proposed Sale; and Granting  
20 Certain Related Relief; and (II) an Order (A) Approving the Sale of Substantially All  
21 of the Debtor’s Assets; and (B) Authorizing the Assumption and Assignment of  
22 Certain Executory Contracts and Unexpired Leases in Connection with the Sale (the  
23 “Motion”). Capitalized terms not otherwise defined herein shall have the meaning  
24 given them in the Motion.

25 4. The Debtor is an applied science, environmental, and technology  
26 company that has been serving both the commercial and governmental sectors since  
27 its inception in November 1998. It is headquartered in San Diego, California, with  
28 regional and project office locations throughout the United States. The Debtor is a

1 Service Disabled Veteran Owned Business (“SDVOB”), which qualifies it to receive  
2 “set aside” contracts under federal law.

3         5.       The Debtor’s core competencies include Environmental Services,  
4 Remediation and Construction, Environmental Technology, and Mission Services.  
5 The Debtor provides solutions for environmental multi-media consulting,  
6 environmental restoration, brownfield redevelopment, water resources management,  
7 and industrial infrastructure. Since its inception, the Debtor has completed thousands  
8 of projects with project fees ranging from \$5,000 to \$30,000,000, and aggregate  
9 revenue of more than \$350,000,000. Specific project contracts can range from three  
10 months to 10 years, and can include remediation work (such as the removal of heavy  
11 metal contaminants at a de-commissioned zinc ore mine), the repair and the  
12 construction of a levee, large-scale demolition, excavation activities, removal of  
13 contamination affecting water quality, and sediment dredging. The Debtor holds all  
14 licenses and permits necessary to perform its obligations under its contracts of work.

15         6.       The Debtor presently employs 148 employees, after implementation of a  
16 recent round of layoffs, which reduced the Debtor’s labor force from 173 at the  
17 commencement of the case. Approximately 60 percent of the Debtor’s professionals  
18 hold advanced degrees. Services are provided directly by the Debtor’s personnel or  
19 through subcontractors retained on specific jobs. SIG’s personnel perform certain key  
20 functions in order to perform its contract duties as an environmental consultant. These  
21 include technical analysis of environmental sites and issues, planning, preparation of  
22 reports, oversight of remediation projects, including health and safety issues at various  
23 sites.

24         7.       The Debtor’s core expertise is providing innovative environmental and  
25 engineering solutions. It frequently employs subcontractors for specific work or task  
26 assignments.

27         8.       A significant amount of the Debtor’s business is with the federal  
28 government, which provides large multi-year contracts that generate the Debtor’s core

1 revenues. Many of its contracts are performed under joint venture arrangements with  
2 other federal contractors.

3 9. In 2013, management moved to increase existing services in the private  
4 sector after the Debtor acquired Analytical Services Incorporated (ASI) for \$900,000.  
5 ASI is a leader in specialty energy management and construction for the  
6 telecommunications industry and has over 20 years of experience in this niche service,  
7 and a portfolio of Fortune 500 clients.

8 10. The Debtor has been able to develop long-term relationships and secure  
9 large multi-year contracts with multiple federal government agencies based on its  
10 prior dealing and dependable delivery of products and services. It is a proven prime  
11 contractor to agencies including the United States Navy, Army, and Air Force; the  
12 Army Corps of Engineers; the Environmental Protection Agency; the United States  
13 Forest Service; and the General Services Administration (GSA); and other federal  
14 prime contractors nationwide. The Debtor's proven past performance, along with its  
15 SDVOB status, has enabled the Debtor to win contracts both as a prime contractor and  
16 subcontractor. In many instances, large multi-billion dollar prime contractors will  
17 enter into teaming arrangements with the Debtor to increase their collective  
18 competitive position to win new contracts.

19 11. Most of SIG's current contracts bill on a time and material basis. Under  
20 a time and material contract, SIG bills work performed under the contract monthly.  
21 Most customers pay within 30 days of invoice.

22 12. SIG's income is derived from the difference between its own cost of  
23 direct labor and materials, and the revenues generated, and invoiced, under its  
24 contracts.

25 13. The Debtor is offering for sale substantially all of its Assets. The  
26 Debtor's Assets generally consist of (i) prime contracts with both governmental and  
27 private customers for which the Debtor serves as a prime contractor; (ii) subcontracts  
28 under which the Debtor is providing services to prime contractors that are parties to

1 contracts with both governmental and private customers; (iii) interests in joint  
2 ventures that are party to contracts with both governmental and private customers; and  
3 (iv) assets related to the Debtor's contracting business, including accounts receivable  
4 and unbilled work in process.

5 14. In December 2014, the Debtor retained the services of 3C Advisors &  
6 Associates, Inc. ("3C"), a financial advisory firm, to provide a variety of financial and  
7 management consulting services for the Debtor in light of the Debtor's financial  
8 distress. Thereafter, 3C worked with the Debtor to, among other things, find a suitable  
9 purchaser for its core business operating assets, contacting more than 75 potential  
10 purchasers with the relevant experience and qualifications, more than 40 of which  
11 signed non-disclosure agreements to access information in the data room maintained  
12 by SIG to expose its business and assets to potential purchasers.

13 15. On or about July 7, 2015, the Debtor and the Committee reached  
14 agreement that the Committee's Court-approved financial advisors (Crowe Horwath)  
15 would take over from 3C in leading the efforts to locate purchasers for the Debtor's  
16 assets. Since that time, the professionals for the Debtor and the Committee has  
17 worked nearly round-the-clock working to identify buyers and structure bidding  
18 procedures.

19 16. The Bidding Procedures were developed consistent with the Debtor's  
20 competing needs to promote participation and active bidding, and the risk of business  
21 disruption associated with a prolonged stay in Chapter 11. The Bidding Procedures  
22 reflect the Debtor's objective of conducting the Auction in a controlled, fair, and open  
23 manner, while enabling the Debtor to select that highest or otherwise best offers for  
24 the assets.

25 17. The Debtor believes that the Bidding Procedures will increase the  
26 likelihood that the Debtor will receive the greatest possible consideration for the assets  
27 because such procedures will ensure a competitive and fair bidding process. The  
28 Debtor also believes that the Bidding Procedures will promote active bidding from

1 seriously interested parties and will generate the highest or otherwise best offer  
2 reasonably available for the assets. The Bidding Procedures will allow the Debtor to  
3 conduct the Auction—if at least two Qualified Bids are received—in a controlled, fair  
4 and open manner that will encourage participation by financially capable bidders that  
5 demonstrate the ability to close the Sale. The Debtor believes that the Bidding  
6 Procedures will encourage bidding, are consistent with other procedures previously  
7 approved by courts in this and other districts, and are appropriate under the relevant  
8 standards governing auction proceedings and bidding incentives in bankruptcy  
9 proceedings.

10 18. Additionally, the Debtor is required to complete the auction and sale  
11 process on the timetable set forth in the Bidding Procedures, which timetable is  
12 integral to the sale process, has been required by the Debtor's senior secured lender,  
13 Bridge Bank, N.A. ("Bridge Bank") as an express condition to the Debtor's authority  
14 to use cash collateral during the sale process, and, the Debtor submits, is fair and  
15 reasonable in light of the circumstances of this Chapter 11 Case.

16 19. The Debtor submits that the Bidding Procedures are reasonable and  
17 appropriate. The Debtor also submits that the Bidding Procedures demonstrate an  
18 exercise of the Debtor's sound business judgment, in consultation with the Committee  
19 and Bridge Bank, as such procedures are designed to maximize the value to be  
20 received by the Debtor's estate for the assets

21 20. The Debtor submits that the Assumption and Assignment Procedures are  
22 fair and reasonable, and respectfully requests that the Court approve such procedures.

23 21. The value of the assets will be tested through the auction and sale process  
24 contemplated by the Bidding Procedures, as well as through the efforts of the  
25 Committee and the Debtor to market the assets for sale prior to the filing of this Sale  
26 Motion. Consequently, the fairness and reasonableness of the consideration for the  
27 assets to be paid by the successful bidders ultimately will be demonstrated by  
28 adequate "market exposure" and an open and fair auction and sale process – the best



means for establishing whether a fair and reasonable price is being paid. Thus, the Debtor submits that the consideration paid by successful bidders will constitute the highest or otherwise best offer for the transferred assets, and will provide a greater recovery for the Debtor's estate than would be provided by any other available alternative. As such, the Debtor's determination to sell the assets through an auction and sale process, as provided for in the Bidding Procedures, is a valid and sound exercise of the Debtor's business judgment.

22. The Debtor submits that ample cause exists to justify a waiver of the fourteen (14) day stays under Bankruptcy Rules 6004(h) and 6006(d) respectively, in connection with the Sale. Here, time is of the essence with respect to the Sale, as the Debtor lacks sufficient funding to operate its business on a prolonged basis, and indeed, Bridge Bank has required as a condition to use of cash collateral that the Sale(s) being conducted hereunder close within four (4) days after the anticipated entry of the Sale Order. In order to effectuate the Debtor's contemplated Chapter 11 strategy, and to attract sufficient buyer interest, waiver of Bankruptcy Rules 6004(h) and 6006(d) are necessary and appropriate under the circumstances.

23. Time is of the essence with respect to the Sale, as the Debtor lacks sufficient funding to operate its business on a prolonged basis, and indeed, Bridge Bank has required as a condition to use of cash collateral that the Sale(s) being conducted hereunder close within four (4) days after the anticipated entry of the Sale Order. In order to effectuate the Debtor's contemplated Chapter 11 strategy, and to attract sufficient buyer interest, waiver of Federal Rules of Bankruptcy Procedure 6004(h) and 6006(d) are necessary and appropriate under the circumstances.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on July 24, 2015.

/s/ Bruce Quattrone  
Bruce Quattrone