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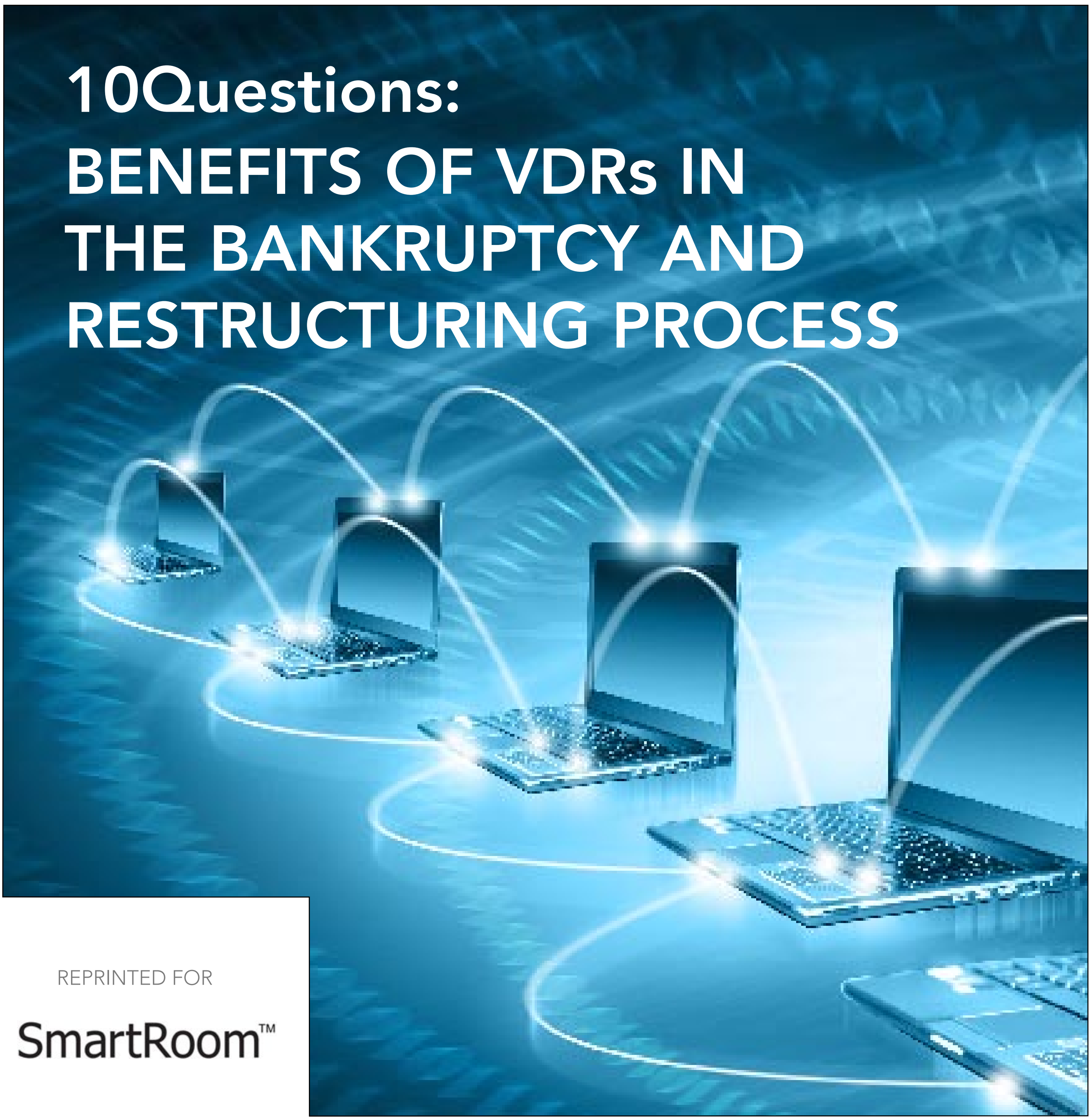
REPRINTED FROM EXCLUSIVE ONLINE CONTENT PUBLISHED IN:
JULY 2011

10Questions:
BENEFITS OF VDRs IN THE BANKRUPTCY AND RESTRUCTURING PROCESS



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SmartRoom™

FW speaks with Brandon Farley at SmartRoom about the use of VDRs in the bankruptcy and restructuring process.

Brandon Farley
Managing Director
BMC Group's SmartRoom

Brandon Farley is the managing director at BMC Group's SmartRoom. He has worked with the company since 2005, most recently as the global director with SmartRoom's former strategic partner, Bowne & Co. Prior to SmartRoom, Mr Farley was a regional DataSite director for Merrill Corporation. Brandon has spent his career working for companies that provide technology solutions to improve process. He holds a Bachelor of Arts in English and Communications from Stanford University. Mr Farley can be contacted on +1 404 915 0438 or by email: bfarley@bmcgroup.com.

FW: Are you continuing to see increased awareness of VDRs and their application in restructuring cases?

Farley: There are varied paths to restructuring which now deliver additional VDR use cases. A prime example is for the secure compilation and sharing of bond or other stakeholder identification. This activity is engaged to support an exchange or other rights offering which can sometimes avert the need for a court filed restructuring. Furthermore, a key benefit of the use of a VDR platform is an expedited timeline. Companies going through a restructuring want to complete the process as quickly as possible so they can focus on business critical growth initiatives. For this reason, we are seeing a significant increase in the use of VDRs in restructuring cases.

FW: What information-related challenges present themselves in bankruptcy and restructuring situations?

Farley: In the thousands of projects on which we have been engaged over the last six years, there is a consistent challenge for all companies: the organisation of their data when preparing for a financial event such as a merger, IPO, bankruptcy or restructuring. Once the executive leadership determines a particular path to liquidity, locating the information that could reside in numerous formats – paper, scanned copies, native files, and so on – and several geographic locations, proves problematic. The preparation is time-consuming and inefficient, and could force the company to miss beneficial financial solutions because it cannot produce the necessary due diligence information in a timely manner.

FW: How can a VDR assist the process of gathering information and organising complex documentation?

Farley: The information structure preparation for any financial event – capital raising, M&A, IPO, recapitalisation, restructuring, or bankruptcy – is relatively similar. A company at any stage in its lifecycle can leverage a VDR as part of their information management best practices so they are always in a state of readiness. The VDR index is scalable and flexible, so populating folders and subfolders as information becomes available puts the company in a position to quickly react to the chosen liquidity path.

FW: What are the cost benefits associated with using a VDR as opposed to paper-based information?
Farley: A paper-based process requires secure physical storage of the documentation. Professionals who review the content need to be on-site, and generally supervised and supported. This can cause severe disruption in the workplace and effect company productivity. Couple that with the high cost for travel and hosting of the information, and a paper-based process soon becomes cost prohibitive. A VDR takes the storage to the cloud where it can be accessed at anytime and simultaneously, eliminating a high percentage of the travel costs and physical hosting requirements.

FW: Time is a scarce, valuable resource in a recovery situation. In what ways can VDRs increase the speed of the process and cut down delays?

Farley: Most companies going through a recovery situation will engage a series of professionals to assist with the process. Having a secure, central, cloud-based location for all of the information can dramatically increase the speed of documentation review and delivery. Should the company start to dispose of non-core assets, the VDR platform can expedite the identification of qualified purchasers and streamline the due diligence process.

FW: Could you describe some of the ways that VDRs can assist in managing a restructuring process, such as planning milestones, setting deadlines, structuring work flow and allocating resources?

Farley: Over the past three years VDR technology has matured from static presentment of due diligence data to a dynamic communication platform securely delivering business critical information outside of the firewall. With the use of system alerts, dashboards, versioning, variable rights management, and audit reporting, a VDR becomes the central hub for all constituencies to collect, manage, and deliver the information required to manage a restructuring process.

FW: To what extent are VDRs useful in distressed asset sales, particularly in terms of identifying and interacting with potential purchasers?

Farley: The adoption rate for VDR use in any asset sale is approaching saturation given that any professional intermediary engaged by the company to dispose of distressed assets will generally mandate its use due to its efficiency in expediting a process. Our evolution into a truly global economy removes geographic deterrents for purchasers and dramatically increases the buyer pool. Native language user interfaces and support provide a user-friendly experience, so despite the distressed nature of the asset sale, a company can create higher demand because of a larger universe of purchasers.

FW: Can you explain how VDRs create an audit trail for proof of disclosure, and why this might be important in a contentious bankruptcy or restructuring scenario?

Farley: The documents and files in a virtual data room are assets that reside in a secure database, which will allow the company and its intermediaries to follow the footprint of all bidders. This audit trail enables sellers to mitigate their risk on post-close disclosure claims since they will know exactly when data is uploaded, viewed, printed and saved. Since the beginning of the financial crisis in 2008, the reporting available in virtual data rooms has transformed from surface level activity reporting to detailed business intelligence tools.

FW: Are there certain advantages that VDRs can offer when it comes to managing the risks involved in bankruptcies?

Farley: By default, when a company declares bankruptcy, the community of parties requiring access to information – creditors, debtors counsel, financial advisers, and so on – spikes dramatically. Having a central, secure and auditable location to which to point the user community allows the company and its intermediaries to focus on bankruptcy dynamics, rather than be overwhelmed by addressing requests for information.

FW: Do you expect to see VDRs used more frequently in the complex bankruptcy and restructuring cases for the remainder of 2011 and beyond?

Farley: Economic conditions remain turbulent and with lower forecasts for growth in 2011 and beyond, we can predict that more companies will be faced with the possibility of restructuring and declaring bankruptcy. The intermediary community encourages the use of VDR technology to expedite timelines and improve efficiency, and most companies engage their advisors to shepherd them through a process. Therefore, we anticipate a continued increase in VDR use for these complex financial transactions. ■