

Graceway Pharmaceuticals, LLC

Acquired at a 65% Higher Price than "Stalking-Horse" Bid



Leveraging BMC Group's Restructuring and SmartRoom™ services, Graceway Pharmaceuticals sold to Medicis Pharmaceutical Corporation for \$455 million – a 65% higher bid than the \$275 million "stalking-horse" offer from Galderma SA.

The Situation

The debtor, Graceway Pharmaceuticals, is a manufacturer of products that include Aldara, a topical medicine for the face and scalp to treat a skin patch condition called actinic keratosis. Graceway acquired the rights to sell Aldara when it paid \$875 million for 3M Co's (MMM.N) North and South American pharmaceuticals business in January 2007.

In 2010, Aldara sales fell to \$52.2 million from \$320.8 million the prior year after litigation cost Graceway its exclusive right to sell the product. The drop in sales was the main reason, along with too much debt and the global recession, that the Bristol, Tennessee-based company filed bankruptcy.

Goal

Graceway Pharmaceuticals and its professionals used Chapter 11 filing to propose a plan of reorganization, which included a Section 363 sale to be completed within 60 days.

Outcome

Leveraging BMC Group's Restructuring and SmartRoom services, Graceway sold to Medicis Pharmaceutical Corporation for \$455 million--a 65% higher bid than the \$275 million "stalking- horse" offer from Galderma.

Highlights

- Graceway's noticing agent, BMC Group, served nearly 820,000 pages of documentation to more than 60,000 parties over the course of the case.
- BMC Group served the bar date notice and claim forms on more than 5,000 creditors. During the following 60 days, BMC Group received and processed more than 1,300 claims filed by those creditors. Graceway could not propose or confirm a plan without this information.
- The solicitation package consisted of more than 250 pages of documentation that had to be served on hundreds of parties. BMC Group's project management team suggested and implemented a cost-saving solution that saved Graceway more \$10,000 in production costs.
- BMC Group provided Graceway with a tabulation affidavit that showed the plan had passed by an affirmative vote of 99.99%.
- BMC Group's SmartRoom enabled Graceway to complete the sale within 60 days, while ensuring securely managing, clinical pipeline data and a smooth due diligence process.



Graceway Pharmaceuticals, LLC
340 Martin L King Jr Blvd #500
Bristol, TN 37620

Industry:
Life Sciences & Pharmaceuticals

Transaction Value:
\$455 Million

BMC Group Services:
Restructuring Administration
Plan of Reorganization
Claims and Noticing Services
SmartRoom™ Services

BMC Group's service has been outstanding because of their consultative approach to helping solve our problems. Not only have their industry-leading methodologies and results-oriented approach been critical to the success of our restructuring, but it was all done with remarkable value that matched or beat their competitors!

John Bellamy
President & CRO
Graceway Pharmaceuticals, LLC

BMC Group Services

As a debtor in Chapter 11, Graceway utilized BMC Group to successfully manage the noticing, claims processing, and volumes of documentation associated with its plan of reorganization, saving the company time and money. In addition, the company leveraged BMC Group's SmartRoom to reach a broad audience of interested parties and streamline the due diligence process.

Noticing

BMC Group served the first day motions on short notice, enabling the debtors to continue their business activities in the normal course, uninterrupted by the bankruptcy filing. As Graceway's noticing agent, BMC Group served nearly 820,000 pages of documentation to more than 60,000 parties by mail, overnight delivery, fax, and e-notice over the course of the case.

Claims Processing & Reconciliation

BMC Group served the bar date notice and claim forms on more than 5,000 creditors. Over the course of the following 60 days, BMC Group received and processed more than 1,300 claims filed by those creditors. BMC Group categorized and analyzed those claims to determine if they were properly filed and valid claims. Case project managers reviewed all documents filed in the case and, where applicable, updated any affected claims. BMC Group provided Graceway and their professionals with reports of claims to enable them to determine and calculate their liability to creditors. Graceway could not propose or confirm a plan without this information.

Plan Solicitation

The solicitation package consisted of more than 250 pages of documentation that had to be served on hundreds of parties. BMC Group's project management team suggested and implemented a cost-saving solution of using a CD to deliver those documents to voting creditors, saving Graceway more \$10,000 in production costs. BMC Group received and tabulated nearly 200 ballots and provided Graceway with a tabulation affidavit that showed the plan had passed by an affirmative vote of 99.99%.

Public Website

BMC Group created and maintained a website where parties in interest could obtain information about the case. On a daily basis, BMC Group uploaded all pleadings filed on the court docket and made those available to creditors free of charge. The company also ensured real-time access to claims information and images as they were filed by providing an inquiry portal for creditors to request forms and case information.

Call Center

BMC Group set up and maintained a global call center where parties in interest could call 24/7 to obtain information about the case from live operators. In providing all of these services, BMC Group worked closely with all the legal and financial professionals to ensure there was no duplication of effort.

SmartRoom™

Dictated by bankruptcy court procedures, Graceway had to complete the auction bidding process for the sale of the company within 60 days. Graceway and its financial advisor, Lazard, utilized BMC Group's SmartRoom virtual data room (VDR) to reach a broad, international bidding audience – and ultimately secure the maximum business valuation within this rapid timeframe. Specifically, SmartRoom provided Graceway with best practices for index structure and document access to facilitate the sharing of highly confidential information, including pre-clinical and clinical data on its product pipeline, to ensure a smooth due diligence process.



Why BMC Group?

BMC Group is about delivering value – by ensuring our clients receive the best service in the industry. Our clients' success is what drives our business.

Dedicated

Our team is sensitive to the challenges of successfully restructuring a business consequently we plan all cases carefully and are dedicated to minimizing costs by leveraging our proprietary technology and deep expertise. Keenly aware of the importance of mitigating incremental professional fees, every case includes a dedicated Project Manager and sales executive ensuring your case is delivered to a successful completion.

Responsive

With a 24/7 365 day service model, BMC Group is always on call and available for our clients. We staff all projects based on experience that is an accurate assessment of work scoped to insure that projects are completed in shortest time possible while insuring accuracy of our work product.

Flexible

We are nimble and can tailor our software on the fly to accommodate case specific, and even attorney specific, reporting requests.

Proven

With over 14 years of experience and over 1,400 debtor cases completed, BMC Group's best practice business processes and supporting technological tools insure that you get the most efficient service possible.

“BMC Group's project management team, coupled with their web-based technology, was instrumental in managing noticing and solicitation to all parties involved in our restructuring. Specifically, BMC Group's best practice processes were essential to the timely distribution of notices to creditors throughout the duration of our case.”

John Bellamy

President & CRO

Graceway Pharmaceuticals, LLC



BMC Group is a leading global provider of information management solutions. SmartRoom™ is a powerful cloud-based document management solution for due diligence, fundraising, M&A deals, portfolio management, secure collaboration, restructuring, legal settlements, and medical records analysis. BMC Group clients are leading investment banks, private equity firms, hedge funds, government agencies, insurance carriers, healthcare providers, and Fortune 1000 corporations. With more than 200 professionals throughout North America, Europe, and Asia, BMC Group is committed to service excellence.