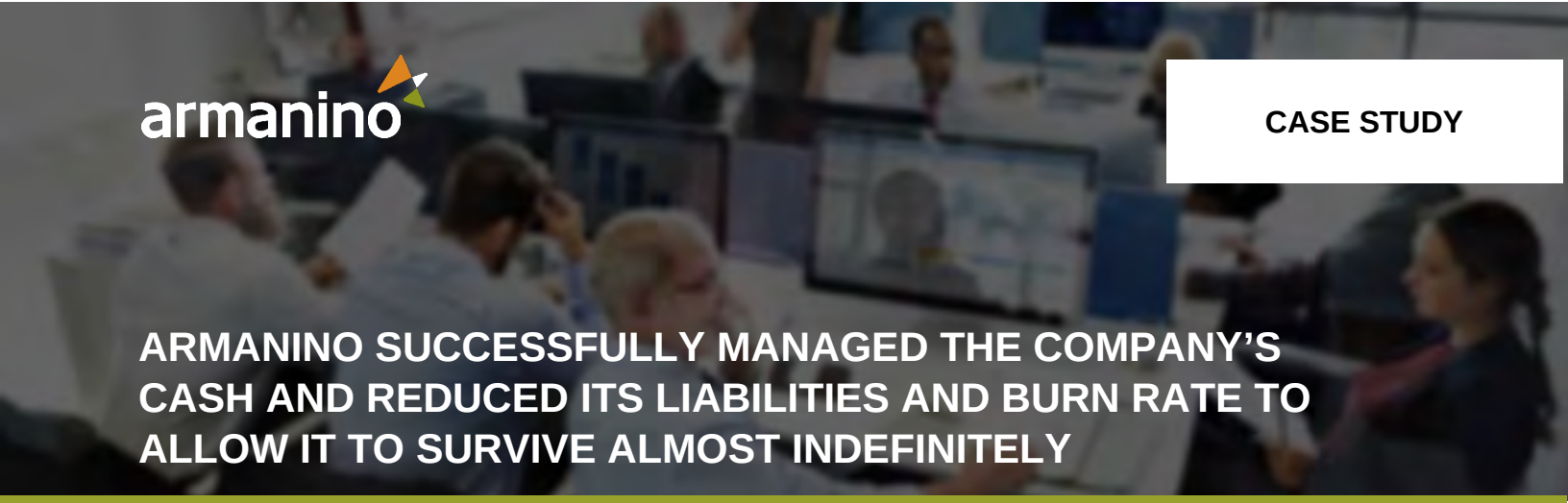

armanino

CASE STUDY

ARMANINO SUCCESSFULLY MANAGED THE COMPANY'S CASH AND REDUCED ITS LIABILITIES AND BURN RATE TO ALLOW IT TO SURVIVE ALMOST INDEFINITELY

Challenge

Sudden removal of firm's sole product from the market.

Solution

Restructuring to manage cash, reduce liabilities, maintain regulatory compliance and settle litigation.

Result

The firm maintained solvency during an 18-month FDA investigation.

BIOPHARMA FIRM RESTRUCTURES TO STAY SOLVENT DURING LOSS OF SOLE PRODUCT REVENUE

A biopharma firm had a single product. The company had been public for a year and was growing rapidly until a series of sudden patient deaths caused it to voluntarily remove the drug from the market, pending a full investigation in concert with the FDA.

Because the drug was its only source of revenue, the company was forced into a significant restructuring so it could survive long enough to finish the investigation and hopefully receive FDA approval to re-introduce the product. The company's cash position was marginally insolvent given all its obligations, and the business was quickly beset by multiple shareholder class action lawsuits, which were expected to be expensive and prolonged.

The company retained Armanino to act as Chief Restructuring Officer, reporting to the board. During the next three months, our Restructuring team accomplished the following:

- Resized the business from 200+ employees to four
- Relocated the company from a sprawling three-building campus to a 1,000-square-foot office in a less expensive area, securing full termination of its long-term facilities leases
- Conducted an auction of the company's physical assets, yielding over $1 million in cash
- Negotiated settlement with the company's 100+ creditors, saving over $4 million
- Took responsibility for the company's finance and accounting department, including all SEC compliance items, and managed the company's audit and SEC requirements
- Managed the company through a NASDAQ delisting process once its assets and revenues dropped below minimally acceptable levels
- Worked with counsel and insurance providers to ensure proper coverage was maintained and coverage consideration was optimized to offset legal expenses
- Successfully managed the company's cash and reduced its liabilities and burn rate to allow it to survive almost indefinitely

Once the company was successfully restructured, the Armanino team took on officer and director roles to manage the inactive but solvent business through the FDA investigation and open litigation, which was ultimately settled. If the FDA investigation permitted re-release of the drug, Armanino was ready to work with the board to manage the restart of the company by seeking fresh capital and turning the business over to a new management team.

Ultimately, the results of the investigation were inconclusive, which precluded re-release approval from the FDA. At that point, the company had few good options and the board elected to solicit M&A or takeover bids from select third parties. Approximately 18 months after the engagement began, the board and shareholders agreed to give control of the company to an investor group.