



Large Company

Transaction of the Year

Altegrity, Inc.

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In fairly dramatic fashion, Altegrity, Inc. became the fourth largest bankruptcy of 2015. Just weeks after a successful out-of-court refinancing in July 2014, Altegrity suffered catastrophic loss of revenue when a government agency issued stop-work orders to its subsidiary, US Investigations Services, LLC (USIS), and shortly thereafter failed to renew key contracts with USIS.

Earlier in the year, USIS had suffered state-sponsored cyberattacks directed at personal details of employees of the U.S. Department of Homeland Security. USIS had also previously made headlines for vetting National Security Agency contractor Edward Snowden and Washington Navy Yard gunman Aaron Alexis. And, the U.S. Department of Justice had intervened in a False Claims Act whistle-blower lawsuit against USIS alleging that, from 2008 to 2012, USIS failed to adhere to the terms of its contracts with the U.S. Office of Personnel Management. The 2014 out-of-court refinancing had been expected to put these troubles behind Altegrity, but the unexpected USIS work-stoppage just six weeks later was the last of a series of unfortunate events, ultimately becoming too much for the company to handle outside of bankruptcy.

When it lost its government contracts, Altegrity had more than \$1.8 billion in debt obligations, and was at risk for imminent default, which would have triggered massive contractual “make-whole” payments totaling more than \$500 million. Considering this and the pending whistleblower lawsuit, Altegrity needed a creative, tailored restructuring solution that would avoid a long Chapter 11 case, minimize make-whole payments, and remove the overhang of litigation shadowing Altegrity’s otherwise strong-performing businesses, HireRight and Kroll.

Working with the teams at Debevoise, Evercore, and AlixPartners, Altegrity was able to reach a pre-bankruptcy agreement with holders of approximately 78 percent of its funded first lien debt and approximately 95 percent of its second and third lien debt to support a comprehensive Chapter 11 restructuring designed to (a) reduce debt by approximately \$700 million, or about 40 percent of the pre-bankruptcy debt, (b) consensually reinstate Altegrity’s first lien indebtedness, avoiding the substantial make-whole payments, while still obtaining amendments that permitted a change of control and up to \$60 million of a new super-priority revolving credit facility post-bankruptcy, and (c) provide Altegrity

with a new-money junior lien investment of \$90 million to fund business operations through the Chapter 11 and beyond.

To facilitate the restructuring, Altegrity was able to complete the sales of two non-core business units, providing necessary cash that would be used for operations and to fund recovery for senior lenders. During the Chapter 11 cases, the advisor teams worked to keep Altegrity's restructuring on a tight timeframe to minimize business disruption and overall cost. Altegrity was able to quickly come to an agreement with its official committee of unsecured creditors about unsecured claim treatment, and entered into a comprehensive settlement with the United States to resolve litigation that otherwise could have prevented the restructuring. As a result, Altegrity was able to successfully emerge from Chapter 11 in approximately six months, and is now operating its Kroll and HireRight businesses free of litigation or other overhang.