THE BIG PICTURE
The Big Picture
Epiq Systems in a Nutshell

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Epiq Systems (NASDAQ: EPIQ) is a leading global provider of technology services for the legal profession.

We combine proprietary software, deep subject matter expertise, highly responsive service delivery and a global infrastructure to assist clients with the technology requirements for their most important and complex matters.

We offer these capabilities across a variety of practice areas including bankruptcy, litigation, class action, antitrust, investigations and regulatory compliance. Our clients include top worldwide law firms, corporate legal departments, government agencies and trustees.

The Big Picture provides an overview of the company and describes each of our businesses in a nutshell. The first section summarizes our core capabilities. The second section introduces the markets we serve and some of the terminology used within them, and the third section sets forth actual examples of client engagements and the roles we played in each.
Our technology strategy encompasses specialty software and an advanced, global network infrastructure, both of which are key drivers of our business.

**Specialty Software**. We have an in-house software engineering division to develop the proprietary applications that empower our businesses. Investing in proprietary software development maximizes our agility and control in the marketplace and affords us the opportunity to offer something distinctive to our clients.

Beyond our proprietary software applications, we also incorporate various licensed third-party software products in our solution set. Selective use of third-party products enables us to serve clients who prefer generic software that can be supported outside of their relationships with Epiq and reduces the investment that we’d otherwise need to make in non-core functionality.

**Global Infrastructure**. Because we deliver most of our software in a hosted environment and because of the volume of client data that we manage, network infrastructure is an essential component of our technology strategy. A single large client engagement may entail over 100 million documents or 100 terabytes of information and may include complex structured data (i.e., databases) and unstructured data (e.g., email archives).

We operate data centers in the United States, Canada, United Kingdom, Hong Kong, China and Japan that provide reliable, secure access to our software environments and to customer databases. Information security is of paramount importance in any managed technology business, and Epiq leads its industries with best practices designed to protect sensitive customer data.

Rounding out Epiq’s software and IT capabilities are significant **in-house fulfillment capabilities**. Our office locations in New York, Kansas City and Portland have internal abilities for high-speed printing and mailing, call center operations, and disbursement and tax records preparation.

The combination of software, IT and fulfillment resources enables Epiq to act as a single-source solution for even the largest, most complex matters in the markets where we compete.

In nearly every client engagement, we provide significant project management and support services alongside our technology. Based on the nature of the client’s underlying matter — whether a major lawsuit, bankruptcy, investigation, settlement or financial transaction — many of our client projects require a sustained level of very high intensity and can move at an extremely rapid pace. Maintaining a service delivery environment that consistently produces high quality work under these conditions is integral to our business.

We provide almost all of our software to end users from a hosted environment that Epiq maintains. Epiq’s staff uses our proprietary software on behalf of clients by working with their databases as much as — or even more than — the clients themselves. Our client services and technical support staff manage data import/export, coordinate complex database updates, process transactions, run sophisticated searches and prepare both out-of-box and custom reports.

Clients often come to us when encountering a significant challenge, e.g., entering bankruptcy, settling a large dispute, or confronting a major discovery obligation. Our clients face complex issues, face tight timelines, and require immediately available, expert services. In our line of work, we deal with moving targets constantly and frequently navigate project management landscapes that have significant uncertainty or volatility.
Deep subject matter expertise is another hallmark of our business. Epiq works in niche, specialty legal areas — such as litigation, bankruptcy, M&A, mass tort, investigations and class action — which have distinctive practices and requirements that are often unfamiliar to newcomers or even to lawyers of more general backgrounds.

Technology alone is insufficient to bring about a successful outcome on a sophisticated client matter; it is often the application of the technology and the expertise of our staff that create the most value for our client. Epiq has a worldwide team of executives, client services specialists and technical consultants on whom clients rely for expert advice — whether delivered at the client’s site or from one of our office locations.

Our team includes former practicing litigators, bankruptcy attorneys, plaintiff’s counsel, defense counsel, eDiscovery counsel and other professionals who are leaders in their areas of expertise. Many have contributed to the development of best practices in their fields, and this bench strength gives clients the benefits of time-proven workflows and insights into evolving practices.

Over time, we have helped clients succeed on matters of all scales and complexities, in diverse jurisdictions, spanning widely varying practice areas. While we do not offer clients legal advice (because we are not a law firm), we draw heavily from our subject matter expertise in the legal profession to lead clients to the best outcome on each project on which we are retained.

Epiq is regularly retained on the most prominent matters with the highest stakes. Cultivating trusted, repeat business relationships with our clients and their advisors is another foundation of our business.

Our clients include top tier law firms, the in-house legal departments of major corporations, trustees, specialty fiduciaries and other professionals. Among corporate clients, we have substantial relationships with large, multinational companies in a variety of industries, including financial services, pharmaceuticals, insurance, technology and others. Among law firms, we work extensively with Am Law 100 firms in the U.S., Magic Circle firms in the U.K. and leading boutique or specialty law firms in all geographies.

The global nature of our business continues to grow. With full-service offices (i.e., locations having a data center, on-site technical staff, on-site project management capabilities and local consulting capacities) around the world, Epiq offers a geographic reach to support client relationships wherever we are needed.

While we work with clients of all sizes, Epiq stands out in the marketplace as one of the very few competitors able to support business at the highest end of our markets: those matters having the most complex requirements, the most at risk, the fastest timelines, and the largest volumes.
Electronic Discovery (as used in the U.S.) or Electronic Disclosure (as generally used in the U.K. and other countries) is a process in which a collection of evidence is inspected to find content responsive to a particular legal matter or dispute.

The evidence may come from multiple physical locations, span multiple languages, originate from multiple custodians (i.e., persons in possession of evidence) and take many forms, such as word processing documents, emails, scanned hard copy pages, spreadsheets, text messages, presentations, social media content, audio/video recordings and more. The term Electronically Stored Information (ESI) refers collectively to any evidence stored in a computerized format.

The portion of the total body of evidence that is determined to be responsive is usually produced to an adverse party, government agency or other type of recipient as part of the overall legal matter at hand. Evidence subject to attorney-client privilege may be excluded from the production but will nevertheless be identified on a privilege log.

In the United States federal court system, discovery is governed by the Federal Rules of Civil Procedure (FRCP). In the United Kingdom, disclosure for matters in England and Wales is governed by the Civil Procedure Rules.
Discovery takes place in wide-ranging matters, including:

- **Litigation** — The plaintiff and defendant must conduct discovery and exchange productions with one another
- **Antitrust and Competition** —
  - In the United States, the Federal Trade Commission and the Department of Justice may investigate potential anticompetitive consequences of a proposed merger or acquisition by subjecting the parties to a discovery procedure called a Second Request
  - In the United Kingdom, the Competition Commission may conduct a comparable investigation
- **Regulatory Compliance and Investigations** — Discovery may be conducted for matters related to the U.K. Bribery Act, the U.S. Foreign Corrupt Practices Act (FCPA), or even for a company’s internal investigations

In the early stages of an eDiscovery project, raw data is collected from the relevant custodians with attention paid to documenting the chain of custody in a defensible fashion. If there is concern that a custodian has tampered with the evidence, forensic analysis can be used to identify and recover deleted or altered information.

After the data has been collected, it may be filtered, pre-culled or subject to an early case assessment software application to reduce its volume and avoid subsequent evaluation of evidence that is deemed clearly irrelevant.

The remaining data is then processed, meaning that information of many different formats (e.g., word processing, PDF, spreadsheets, emails) is converted into a common format. Epiq’s proprietary processing software is named eDataMatrix® (eDMX). In addition to extracting the text within each data file, processing also captures each file’s meta data, such as its timestamp, authorship, version information and more. (As an additional example, the meta data for an email message includes the To:, From:, CC:, BCC:, Subject and other fields.)

The post-processed data is then loaded into a hosting environment at one of Epiq’s worldwide data centers where it can be inspected by end users (such as the client’s inside legal department or outside legal counsel) in a document review application, such as Epiq’s DocuMatrix® (DMX) software. In a combination of manual end user review (i.e., a person reading documents and exercising personal judgment) and various technology-assisted review (TAR) technologies (i.e., computer algorithms evaluating documents formulaically), determinations must be made whether each document in the hosting environment is:

- responsive to the matter at hand
- subject to attorney-client privilege
- germane to any issue tags (e.g., “Hot Documents”, “Marketing Documents”, “Credit Facility Documents”) that are defined for the project

Because the volume of documents in a complex case makes a linear review impractical (i.e., a human end user reading each document individually), various technology tools can be used to:

- search documents with complex criteria, including key words within the documents and values for meta data fields
- arrange documents in the collection in the order in which they are most likely to be similar to control documents already known to be responsive
- eliminate duplicate documents from the collection
- group near-duplicate documents (e.g., various draft versions of the same document)
- group individual email messages within the same overall chain or discussion (i.e., gathering together an original email sent to various recipients with each subsequent reply)
- identify junk mail or spam

After the documents have been sufficiently reviewed, the relevant subset is formatted as a production for delivery to the designated recipient. The recipient of the production may load it into their own hosting environment for analysis and development of a legal strategy.
Epiq's Client

In an eDiscovery engagement, Epiq's client is typically either a law firm, a corporation that is subject to a discovery obligation or such corporation’s outside counsel. A client may need eDiscovery services reactively when facing a specific obligation, such as answering a newly filed lawsuit, or may seek eDiscovery services proactively to establish readiness for unknown future requirements.

Business and Distribution Model

We promote our eDiscovery products and services through a direct, worldwide field sales organization that is complemented by inside lead generators and industry researchers.

We generally charge the client directly:

1. hourly charges for professional services by our consulting, data collection, forensics or project management professionals
2. a non-recurring fee based on the volume of electronic data that is processed (i.e., converted into a common format)
3. a recurring monthly fee based on the volume of data hosted in our data center

At the heart of each client engagement is an Epiq project management team, generally led by a client services director and including several project managers. The eDiscovery matters on which Epiq is retained are usually high-stakes, fast-moving cases where the client has extremely high expectations for responsiveness, accuracy and adaptability.

The project management team coordinates our services and acts as a communications hub between the client team (which itself can be complex, including multiple law firms and a corporate client’s legal department) and our internal operations functions.

We have worldwide field staff available to travel to a client’s location(s) to assist with collecting raw data. As data arrives at Epiq, it is processed and quality-checked by production analysts before being loaded into the hosting environment.

Once data is in the hosting environment, the project management team helps the client to define and execute searches in the database, support the document review process by grouping documents into folders, configure workflow rules and apply technology-assisted review tools (e.g., near-duplicate detection).

In many jurisdictions, particularly outside the United States, data privacy laws require that client data remain in the country of origin. When we are retained on matters having data in such locations, we cannot take the data back to one of our own centers. Consequently, we have mobile IT environments that can be shipped anywhere in the world so that our consultants can work locally.

When documents are ready to be produced to a third party, production analysts prepare the extract, verify it and then send it via physical media or electronic transmission.

**Why is our name Epiq Systems?**

Our original name was Electronic Processing, Inc. When we went public, we chose the ticker EPIX (with the “X” being a placeholder). Shortly before our offering, another company whose name actually began with Epix also filed a registration statement for an IPO and needed to use the symbol EPIX. We therefore chose a different placeholder – Q – and adopted the ticker EPIQ instead. Over time, we came to be known as Epiq Systems and today enjoy the positive connotations that the word “epic” brings to our brand.

Typical eDiscovery Project Workflow

Data volume falls at each stage

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Document review services enable a corporate client and/or its outside counsel to outsource to us some or all of the tasks associated with reviewing large document collections in an eDiscovery project, including:

- providing sufficient office space and equipping it with secure workstations
- interviewing and hiring qualified attorneys for limited-duration document review work
- providing project management services
- developing the document review protocol, training the review attorneys and providing guidance to the client’s outside counsel as the review proceeds

We make extensive use of a variable work force for document review engagements and only bring on staff as projects commence. The review team may range from a handful of attorneys to several hundred attorneys at a time. Document reviewers generally work from secure document review pods designed to protect the confidentiality of our clients’ sensitive data (e.g., neither removable storage media nor printers are used in the review pods).

In certain engagements, we may be retained to perform a first pass review of the documents to narrow the scope of a second pass review performed by the corporation’s outside counsel, who are closer to the legal strategy of the matter at hand. We may leverage technology-assisted review tools to maximize efficiency and complement our manual review services.

Some cases can be staffed with a review team of a more general background, while other cases have specific requirements, such as foreign language skills or familiarity with a particular part of the law (e.g., environmental law or pharmaceutical cases).

Each member of the review team is generally equipped with a dual-monitor configuration. One monitor will display a document for inspection and the other monitor will display a coding form, where the reviewer can classify it. In most client engagements, supervisors check a random sample of each reviewer’s coding decisions to maximize consistency across the review team.

It is important to note that while document reviewers are typically licensed attorneys, Epiq is not a law firm and our document review teams do not provide legal advice to clients.

As each project finishes, the variable work force will either dissipate or roll onto another project, as appropriate.

Epiq’s Client

In a document review project, Epiq’s client is typically either the corporation that is subject to a discovery obligation or such corporation’s outside counsel.

Business and Distribution Model

We pursue document review opportunities with the same field sales force that supports eDiscovery and frequently offer clients a bundled solution comprising both eDiscovery and document review services.

When Epiq is retained on a document review matter, we charge the client directly. Our billing model is generally based on the amount of time it takes us to complete the review, the number of documents being reviewed or the volume of total data being reviewed.

**When was our IPO?**

February 1997
Title 11 of the U.S. Code governs the federal bankruptcy system and provides a predictable, orderly framework in which various types of insolvency can be resolved. Bankruptcy occurs in all economic environments and is therefore an integral part of the U.S. national economy. More than one million new bankruptcy cases are filed annually, including both consumer and business cases.

The main constituents in a bankruptcy include:

- the **debtor**, the party who is in bankruptcy and who has more liabilities than assets
- the **debtor’s attorney**, who provides legal advice to the debtor (debtors who file a bankruptcy without an attorney are referred to as **pro se** debtors)
- the **creditors**, the parties to whom the debtor owes money
- the **trustee** [in Chapters 7 and 13 — see next page], who administers each bankruptcy case pursuant to the orders of the bankruptcy court
- the **bankruptcy judge**, who rules on legal matters within each case
The Executive Office for United States Trustees is a unit of the Department of Justice responsible for maintaining the integrity of the federal bankruptcy system (except in the states of Alabama and North Carolina, each of which has a comparable state-level office called the Bankruptcy Administrator). A U.S. Trustee is appointed in each of twenty-one geographic regions.

Therefore, two branches of government have oversight responsibilities for bankruptcy cases: the judicial branch (because of the role of the bankruptcy judge in each case) and the executive branch (because of the role played by the U.S. Trustee).

The primary ways in which a U.S. bankruptcy can take place include:

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 7</td>
<td>Liquidation of the non-exempt assets of a consumer or business</td>
<td>70%</td>
</tr>
<tr>
<td>Chapter 11</td>
<td>Reorganization for a business</td>
<td>1%</td>
</tr>
<tr>
<td>Chapter 13</td>
<td>Reorganization for a wage-earning consumer</td>
<td>29%</td>
</tr>
</tbody>
</table>

Most bankruptcies begin when the debtor’s attorney files a voluntary petition with the clerk of the court. Once a case is filed, an automatic stay goes into effect protecting the debtor by preventing creditors from pursuing collections against the debtor for pre-petition debts.

Then, a compulsory first meeting of creditors (also called a “341 meeting,” named for Section 341 of the Bankruptcy Code) is arranged so that the trustee (in Chapters 7 and 13) or the U.S. Trustee (typically for Chapter 11) can examine the debtor and so that creditors’ questions can be addressed.

Creditors file proofs of claim asserting the amounts due to them. When possible, creditors receive partial (or sometimes full) payment on their claims. When administration of the case is complete, debtors receive a discharge (i.e., a fresh start) of their financial obligations incurred prior to filing the case.

For each Chapter 7 bankruptcy case filed in the United States, a trustee is appointed from the rotating panel of trustees in the relevant jurisdiction to administer the case. There are approximately 1,100 panel trustees, most of whom are attorneys. They receive their appointments to the panel from the Department of Justice and pursue their duties as trustee as a primary professional activity. Trustees generally manage an entire portfolio of Chapter 7 cases simultaneously.

No-Asset Cases and Asset Cases

Within the 70 percent of total bankruptcies filed each year that are under Chapter 7, approximately 99 percent of these are no-asset cases, meaning that the debtor has no assets to be sold and that the unsecured creditors will not be paid at all. Trustees administer no-asset cases very quickly and file a report of no distribution.

The remaining 1 percent of Chapter 7 cases have assets that can be sold and are accordingly referred to as asset cases. Depending on the exemptions in the state where the case is filed, the debtor may be entitled to keep certain exempt property (equity in a primary residence, certain personal goods, etc.).

In an asset case, the trustee is then responsible for:
• taking possession of and selling the debtor’s non-exempt assets
• maintaining and tracking the resulting cash proceeds
• making a lump sum distribution to creditors at the end of the case
• preparing periodic reports for the bankruptcy court and the U.S. Trustee (or bankruptcy administrator)

Epiq’s Product and Client
Epiq’s client for Chapter 7 is the trustee — not the debtor or the creditors. The trustee’s duties are complex and not easily supported by generic software. Epiq develops proprietary software, TCMS® (Trustee Case Management System), that enables trustees to manage caseloads efficiently during each stage of administration. Most Chapter 7 panel trustees have one or two staff members who function as case administrators and/or office managers.

Business and Distribution Model
The Chapter 7 trustee business is best characterized as a highly specialized, niche marketplace. We have a dedicated group of account executives and relationship managers who work cooperatively to source new business and maintain existing accounts.
• Epiq licenses TCMS to an end-user trustee client for no direct charge and sometimes furnishes the equipment (i.e., workstations and printers) on which the system runs
• Each trustee client agrees to maintain deposit accounts at one of Epiq’s preferred bank partners for the cash resulting from asset sales for cases in the trustee’s portfolio
• Epiq has relationships with various banks under which we receive monthly revenue for every trustee client, consisting of:
  • a percentage of the total trustee funds on deposit
  • a percentage of the monthly service charges that are assessed to the trustees’ bank accounts

Funds from each case generally remain on deposit for two or more years, and because each trustee typically has cases in each of the early, middle and late stages of administration, Epiq draws revenue from a consistent aggregate deposit portfolio.

Trustees’ Compensation
The trustees themselves receive a token payment for each case administered plus a commission for each asset case administered calculated as a percentage of the funds distributed to creditors. Accordingly, trustees have a financial incentive to maximize the return paid to creditors.

Epiq’s Product and Client
Epiq’s client for Chapter 13 is the trustee — not the debtor or the creditors. Chapter 13 trustees have larger office staffs than their Chapter 7 counterparts and may have dozens of employees to support their caseloads. The office staff in a Chapter 13 office may include a staff attorney, case managers, cash receipt specialists and disbursement specialists. Epiq’s client for Chapter 13 is the trustee.

Each Chapter 13 bankruptcy case filed in the United States is assigned to a standing trustee in the relevant jurisdiction. There are approximately 200 standing trustees, most of whom are attorneys. Standing trustees receive their appointments from the Department of Justice and typically administer thousands of cases at a time.

Unlike a Chapter 7 case (in which the debtor’s non-exempt assets are sold and the resulting cash is used to pay creditors), a Chapter 13 debtor keeps his/her assets. The debtor’s attorney proposes a Chapter 13 plan (usually lasting between 36 and 60 months) to repay debts, in whole or in part, by making periodic cash payments to the trustee’s office, often by automatic payroll deduction. If the judge confirms the plan, the trustee may start collecting the debtor’s cash payments and making monthly disbursements consisting of installment payments to various creditors. If the debtor does not make timely payments into the reorganization plan, the Chapter 13 case may be dismissed.
develops proprietary software, CasePower®, that enables the office staff to manage a database of Chapter 13 cases and daily workflow. In addition, Epiq provides various support services, such as bank account reconciliation, check printing and legal noticing, that complement the software.

**Business and Distribution Model**

Because Chapter 13 is the smallest addressable marketplace in which Epiq competes, we have a highly individualized approach to every trustee prospect that is coordinated by in-house relationship managers. Epiq charges the Chapter 13 trustee directly a monthly fee based on the number of cases in the trustee’s database.

**Trustees’ Compensation**

Chapter 13 trustees have an operating budget approved by the U.S. Trustee and most receive the maximum salary allowed under relevant guidelines.

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**Q**

Doesn’t bankruptcy mean that the insolvent company has gone completely out of business?

**A**

Not necessarily. Under Chapter 11, a company can continue its operations while restructuring its debts.

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Every bankruptcy case filed in the United States has a docket, the chronology of documents filed with the court for that case (the petition, various motions and orders, etc.).

There are 94 federal judicial districts in the United States that have bankruptcy courts. Each of the fifty states, the District of Columbia and Puerto Rico has at least one such district. Large states have multiple judicial districts; for example, California has a Northern, Eastern, Central and Southern District.

Individual courts maintain their own PACER (Public Access to Court Electronic Records) systems. PACER is a web-based, fee-for-service electronic database of case and docket information for each matter in the court’s jurisdiction.

Certain parties have frequent need for up-to-date information about bankruptcy cases in multiple jurisdictions. For example, a mortgage lender or credit card processor may have thousands of claims filed in bankruptcy cases spanning many jurisdictions. Or, a distressed debt investor may have an interest in claims meeting certain criteria nationwide. While such parties could theoretically look up information for cases one by one — which might necessitate accessing many different PACER systems separately — such an approach is very slow and expensive.
Epiq’s Product and Client

Epiq offers a bankruptcy data subscription service, AACER® (Automatic Access to Court Electronic Records), that aggregates information automatically from all 94 PACER systems into a centralized database. From the centralized database, information can then be transferred directly into a client’s downstream computer system, thereby eliminating the need for the client to look up information manually in multiple PACER databases. Epiq’s client is the party (whether a financial institution, investor or large national creditor) who wishes to receive timely electronic updates about a specified portfolio of bankruptcy cases.

Business and Distribution Model

AACER is promoted by a dedicated internal sales team. Epiq charges the client directly based on the number of bankruptcy cases for which information is provided and the frequency with which such service takes place.

Q

Where is our largest workforce?

A

New York City

Chapter 11 Business
Corporate Restructuring

While Chapter 11 cases represent the smallest number of U.S. bankruptcy filings, they are by far the largest and most complex cases filed and require significant administrative support. Unlike Chapter 7 and Chapter 13, in a Chapter 11 case (i.e., a corporate restructuring) a trustee is generally not appointed, and therefore no third party takes control of the bankrupt estate. Rather, the debtor in possession (the entity that filed for bankruptcy) usually continues operations.

Early in the case, the debtor must file schedules with the court listing its assets and the amounts it believes are due to its creditors along with a statement of financial affairs (SOFA). Correspondingly, creditors file proofs of claim with the court reflecting the amounts they believe to be due accompanied by supporting documentation. Because Epiq acts as an extension of the bankruptcy court in the capacity of claims agent, the proofs of claim are received and processed at Epiq. A claims bar date is established by the court and is the last date on which a claim may be received and considered timely filed.

The debtor may file objections to claims it believes to be invalid, and the differences in amounts due indicated on the schedules vs. the proofs of claim are resolved through a claims reconciliation process.

Under Chapter 11, the debtor may be able to terminate certain existing contracts for real estate leases, organized labor agreements or vendor services if doing so benefits the company and its creditors. This process is known as rejecting executory contracts.
The debtor in possession must propose a plan of reorganization addressing the disposition of its trade creditors, bond holders, equity holders and other parties of interest. The debtor has a 120-day exclusive period to file a plan, unless the exclusivity period is extended by the bankruptcy court. Other parties, such as creditors, may propose alternate plans of reorganization. When Epiq serves as balloting and solicitation agent, we tabulate the votes of the stakeholders.

Depending on the size and complexity of the case, a Chapter 11 matter may last from a few months to many years. The Southern District of New York (i.e., New York City) and the District of Delaware receive more Chapter 11 filings than any other jurisdiction, in large part because of the experience and sophistication of their judges.

To accelerate a restructuring and reduce costs, sometimes debtors will arrange a pre-packaged bankruptcy (a “pre-pack”) by submitting a reorganization plan that has been pre-negotiated with creditors at the same time the petition is filed. Alternately, the debtor may coordinate a private workout with its creditors to avoid the costs and uncertainties of a formal bankruptcy proceeding.

Epiq’s Product and Client

Our DebtorMatrix® proprietary software forms the technology backbone for corporate restructuring services. The product is used primarily by Epiq’s internal associates on behalf of our corporate restructuring clients and enables our case management teams to maintain a database for each matter. The system includes functionality for bulk data import/export, setup of legal notices, maintenance of claims data and various reporting capabilities.

Epiq’s client is the debtor in possession (i.e., the entity entering bankruptcy), though we receive most of our instructions from the debtor’s outside legal counsel. Because Chapter 11 is a highly specialized area of the law, there is a relatively small number of individual lawyers and law firms who are regularly retained on prominent matters.

The debtor in possession is often in a reactive, tumultuous state when filing Chapter 11, so it may rely heavily on outside counsel in the selection of technology services. Accordingly, Epiq invests significantly in cultivating a network of referral sources within key law firms and other advisory firms, such as the financial advisors that frequently support large restructurings.

The debtor’s outside counsel, financial advisors and other professionals (such as crisis communications experts) must submit a fee application to the bankruptcy court for approval before they can be paid for their services. The court may allow the fee application in whole or as its discretion reduce the amount paid.

Business and Distribution Model

Our corporate restructuring business is developed by an overlapping internal network of executives, field consultants and business development executives.

Once Epiq is retained on a Chapter 11 engagement, a team of case managers and/or consultants coordinates our services and manages communications with the client. We bill the debtor in possession for any or all of the following:

• Consulting services. Epiq staff, many of whom are bankruptcy attorneys themselves, travel to the client site(s) to work alongside the client’s legal and finance staff to prepare necessary court filings
• Legal notification. We have in-house fulfillment capabilities to create and disseminate legal notifications which must be sent to parties of interest by U.S. mail, overnight courier or email
• Claims database. We build and maintain the database of information related to the engagement, including the claims. Our data analysts can accept input files in varying formats from clients and load them into a DebtorMatrix® database. Similarly, they can perform mass updates to the data and prepare extract files according to clients’ specifications
• Case management. Case managers coordinate our overall services, work closely with the client’s outside counsel and respond to outside inquiries from creditors
• **Balloting and solicitation.** Our balloting and solicitation experts provide highly specialized services to clients to tabulate the results for one or more proposed reorganization plans within each matter, including addressing the complexities accompanying cases with international stakeholders.

• **Disbursement.** Following the orders of the bankruptcy court, our disbursement specialists prepare and verify calculations of the amounts to be paid to each stakeholder and issue distributions by check, wire transfer or exchange of securities.

Members of the public can look up information for corporate restructuring cases that Epiq is administering online at www.epiqsystems.com. Search tools are available for basic case data, the docket (the chronology of all documents filed with the court) and claims that have been filed.

In addition to providing services for Chapter 11 cases, our corporate restructuring business provides administrative services to other types of complex matters, including bank wind-downs, international insolvencies and asset sales for distressed companies.

Complex matters, including **class action**, mass tort and government programs can encompass thousands — or sometimes millions — of parties, involve intricate administrative workflows and require many years to resolve. Epiq’s **Settlement Administration** business provides technology services to support these types of legal matters and we are regularly retained on the largest, highest-profile engagements in the marketplace.

### Class Action

**A class action** is a lawsuit in which multiple parties bring an action to resolve their common complaints against one or more defendants. While most prevalent in the United States, various European countries also have a comparable form of litigation.

In the United States, large class actions brought in federal court that span multiple jurisdictions may be consolidated under a procedure known as **MDL** (multidistrict litigation).

Class actions span a variety of subject matters, including:

- antitrust/competition
- building materials
- discrimination
- data breach
- employment
- environment
- financial and consumer fraud
A class action is commenced when one or more named plaintiffs files a lawsuit on behalf of a proposed class of parties who have allegedly incurred the same injury or damage. To proceed with the case, the plaintiff must obtain class certification from the court by demonstrating the fulfillment of various criteria. The defendants have an opportunity to object to such certification.

If class certification is obtained, the parties may elect to settle the case voluntarily rather than face the uncertainties associated with a trial. In this situation, prospective class members participating in the settlement must be identified with a notice campaign that may include print advertising, online advertising, television/radio placements and/or direct mailing. Prospective class members who prefer to pursue their own litigation instead of participating in the class may opt out by responding before a stipulated deadline.

When cases settle, class members must submit their claims, with supporting documentation, by sending in a hard copy form or in some cases by completing an online process. For certain matters, a call center may be established to answer class members’ administrative questions. Class members having valid claims will be compensated according to the terms of the settlement agreement. Payment for class members’ compensation comes from the settlement fund, which is paid for by the defendants.

Mass Tort
In contrast to class action matters, where individual claimants have common allegations joined together in a single case, mass torts typically feature individual claims with discrete allegations related to the same product or disaster. Mass torts often involve injuries related to a pharmaceutical product, medical device or a widespread disaster.

Government Programs
Various government programs and enforcement actions also require technology-enabled administrative services.

- In redress administration, a federal agency may initiate actions against companies for unfair, deceptive, or fraudulent business practices. Epiq provides services for redress matters to allocate and distribute settlement funds to injured consumers.
- In a disgorgement, Epiq returns wrongful profits and distributes penalties to defrauded investors.
- A consent decree is a final, binding judgment memorializing a voluntary agreement between two parties, one of which can be a federal agency, in exchange for a withdrawal of criminal charges or an end to civil litigation.

Epiq’s Client
In settlement administration, Epiq acts as a neutral administrative agent between the plaintiffs or government agency and the defendants. Depending on the specific case, the plaintiffs’ counsel or the defendants may have more influence on the selection of the administrative agent.

Business and Distribution Model
We have a dedicated field sales organization that pursues settlement administration opportunities. When Epiq is retained to administer a settlement, we assign a team of case managers and/or consultants to coordinate our technology-enabled services. We may be paid from the settlement fund or by one of the parties directly for our services. Generally, the databases in a settlement are larger than those in a bankruptcy, and there is significantly greater variety in administrative requirements from one settlement to another vs. that seen in corporate restructuring.

Our settlement administration services include:

- Media planning and placement. Based on the nature of the case, our experts propose a combination of media outlets that will reach prospective class members most effectively. We may also provide expert testimony if the notice campaign is challenged by a third party.
- Legal notification. We have high-volume printing and mail processing equipment in an in-house fulfillment center that has sufficient capacity to support multiple large engagements simultaneously.
• Document intake. Our document intake team receives, opens, scans and sorts the claim forms and related correspondence received from class members.

• Website design and maintenance. Our Web team creates case-specific public websites from predefined templates, enabling class members the convenience of self-service for common activities.

• Call center. Our in-house call center supports multi-language, complex inquiries received from class members and can scale to hundreds of agents at a time.

• Claims management. Claims analysts review claims submitted by class members and either validate or reject them based on insufficient documentation or electronically detected defects (e.g., a duplicate claim).

• Case management. The case management team assigned to each case coordinates our total efforts and works in close consultation with class counsel and defense counsel.

• Disbursement. The disbursement team calculates and sends payment to class members who have presented valid claims. Disbursements may be made in cash or by coupon (e.g., a credit toward the purchase of goods or services).

• Mass tort specialty services. We draft claims forms and scripts, calculate settlement amounts, and develop custom analyses and reports. In addition, we provide comprehensive services to address:
  • resolution of healthcare liens, under which an insurer or medical service provider asserts a lien against a party responsible for payment.
  • Medicare Set-Asides, under which a portion of a claimant’s settlement is reserved to pay for future medical needs. Medicare will pay for treatment only after such reserve is used.
  • compliance by Medicare Secondary Payers, which are parties responsible for paying for medical services before Medicare does.

For larger matters, members of the public can look up information about the case on a website that we design and maintain. Tools are often available for viewing basic case data, reading the settlement agreement and filing a claim online.

We develop our ClaimsMatrix® proprietary software — often customized for each case — that forms the foundation from which we provide our services. Epiq Systems staff are the primary users of ClaimsMatrix, and they use the software to coordinate services contemplated by the settlement agreement. ClaimsMatrix includes functionality to bulk-load external data; track class members, claims and related correspondence; and to prepare distributions and various reports.

For mass torts, our Claims Facilitator™ software enables clients, their attorneys, third-party adjudicators, regulatory constituents and audit committees to access critical claimant information quickly and securely.

In addition to a full-time staff of case managers and subject matter experts, we make extensive use of a variable work force in the settlement administration business. As major engagements require call center agents, claims analysts or other types of resources conducive to a project-based assignment, we expand with temporary or short-term positions.

Where is our largest physical facility?

Portland, OR
This section features five case studies of actual work Epiq has performed for clients, many of whom will be familiar names. The profiles are drawn from several of our business lines and represent the work of staff in multiple locations. Each was selected to provide a concrete example of the engagements described more generally in the first section.

The case studies provide a foundation from which to describe the company to others: the types of clients we work with, the scale of the engagements on which we’re retained, the worldwide geographic reach we bring to our markets and the importance of the matters for which we’re hired.

Case Study

Introduction

An Epiq Challenge

The British Petroleum (BP) Deepwater Horizon oil spill in the Gulf of Mexico is considered the largest marine oil spill in the history of the petroleum industry. In its aftermath, BP became involved in two class action lawsuits that each resulted in a negotiated settlement. Facilitating the settlement required an effective communications strategy for outreach to both known and potential class members that would set forth complex settlement terms in plain language. Epiq was selected for this important assignment.

An Epiq Solution

Epiq consultants spent hundreds of hours over several months on-site with BP and its counsel to craft a comprehensive and defensible notice plan and to create multiple related notice documents. In addition, Epiq’s consultants worked closely with the Plaintiffs’ Steering Committee and other experts, providing valuable input into the settlements. In support of the individual mailed notice effort, Epiq’s data professionals in Portland worked to identify potential settlement class members from hundreds of thousands of records. All mail and email notices were sent using procedures specified by Epiq’s consultants. For broader outreach and to identify as of yet unknown class members, the Epiq team placed notices in more than 2,000 local and national print publications. Approximately 10,000 television and radio spots aired across 26 media markets stretching from Houston to Miami in the languages most suitable for the target audiences: English, Spanish and Vietnamese. According to sworn testimony by Epiq’s expert, more than 95 percent of all adults living in the Gulf Coast area were exposed to an Epiq-placed notice more than 11 times. Nationally, more than 83 percent of all adults had an opportunity to see the notice, making it one of the largest — if not the largest — ever undertaken in a class action settlement. Epiq’s case management team also developed a custom settlement website to serve as a continuing reference for parties of interest. The website itemized key dates, detailed notices, settlement agreements, court documents and general information in three languages.

An Epiq Result

The comprehensive notice effort planned and executed by Epiq received approval from the court. Millions of potential class members have been exposed to the notice and given the opportunity to participate in, opt out of or object to either or both settlements.

Case Study One

Class Action

The Main Point

Top global clients trust Epiq to work on their most critical matters, including the largest cases in history. British Petroleum needed expert services for a notice program that would be commensurate in size and scope with the historical importance of the settlements. Epiq was a natural fit.
An Epiq Challenge
A major corporation became involved in a lawsuit and incurred a significant eDiscovery obligation in a tight timeframe. Epiq was retained to furnish a comprehensive solution, including collecting ESI (electronically stored information) from various custodians, processing the data, hosting the data and providing document review services. This assignment tapped multiple competencies in the eDiscovery division and called for seamless handoffs from one function to the next.

An Epiq Solution
Epiq’s consulting organization collected 3 terabytes of the client’s data — including 50 gigabytes of email. Much of the collection took place on the client’s premises, though some data required collection via remote system access. Throughout, we maintained meticulous records for the chain of custody. Upon receipt of the data, Epiq organized the documents into clusters in just a few hours so the client could conduct an initial assessment.

Before processing the total collection, Epiq’s project managers took instruction from the client’s legal team and applied key word search terms and various date filters to remove more than 1 million items from the result set, thereby avoiding unnecessary downstream cost and effort.

The remaining data was then processed in Epiq’s high-speed, high-capacity processing software, eDataMatrix®. During processing, all text and meta data were extracted from their source files and transferred into a common format that would enable a uniform approach to evaluation and review.

After the post-processed data was verified with various quality assurance checks, it was loaded immediately into DocuMatrix®, Epiq’s proprietary document review software. In continuing dialogue with the client’s legal team, Epiq’s project managers rapidly found and eliminated thousands of “junk” documents from the review set — emails about vacations, sporting events, online coupons, etc. Various search strategies identified documents that needed to be prioritized for immediate review.

With a shrinking data set and deeper understanding of the information, the client’s legal counsel leveraged Epiq’s review accelerators to examine related documents together instead of individually.

Case Study Two
eDiscovery

• Of the nearly 3.5 million emails, 40 percent were messages contained within an overall thread of correspondence
• Almost 20 percent of the other documents were matched with other documents having very similar content, such as Word and PDF files of the same document

Epiq’s document review services team then recruited qualified attorneys to perform a first pass review and provided a high-security environment that would protect the client’s confidential materials. By using DocuMatrix® as a preferred document review software platform, members of the review team achieved an average throughput in excess of 120 documents per hour. On conclusion of its work, the document review team handed data off to the client’s outside counsel for second pass review on a vastly reduced number of documents.

An Epiq Result
Epiq’s ability to offer all necessary services — from initial collection to final document review services — gave the client a seamless experience that avoided the risks of a fragmented approach involving multiple suppliers. Using Epiq’s proprietary technology, including eDataMatrix® and DocuMatrix®, maximized speed and efficiency, which are critical success factors in any eDiscovery project. In the end, the client saved time and money.

The Main Point
While we regularly work on high profile, ultra large matters, we also provide service for garden-variety, routine eDiscovery projects. This case study exemplifies the type of matter our eDiscovery team handles every day.

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An Epiq Challenge
A multinational company headquartered in Switzerland was named in a lawsuit filed in the U.S. With a two-week window to meet a court-established deadline, the client retained Epiq to fulfill its highly complex, cross-border eDiscovery obligation. At hand was a 240 gigabyte archive containing Lotus Notes data that was resident on multiple servers located in both the U.S. and Switzerland. Nine key custodians in the corporation had potentially responsive information that needed to be analyzed.

To meet its discovery requirement, the U.S. team needed to arrange for review documents in both countries while simultaneously complying with relevant Swiss data privacy laws. The limited available time necessitated maximum efficiency and avoidance of redundant efforts, even though sensitive data could not be exported outside of Switzerland.

An Epiq Solution
Accommodating the short time window, data privacy issues and complexities of the matter itself called for both in-depth experience and up-to-the-minute expertise in available technologies. Epiq’s team developed a sophisticated strategy for on-site service delivery in Switzerland and hosted services in the U.S. Our client services group chose the best technologies for the job from its broad array of software.

The client used its own internal resources to collect data from the identified custodians in Switzerland and handed the data off to the on-site Epiq team which had been dispatched from our London office. With full-service offices in North America, Europe and Asia, Epiq is well positioned to respond to clients’ worldwide needs, even with little or no advance notice. Delivery of mobile infrastructure to the client’s site enabled local processing of the Lotus Notes data. As a result, the information remained in Switzerland without sacrificing the analytic tools needed to achieve best results.

While progress unfolded in Europe, data in the U.S. was processed in parallel. Epiq’s client services teams in both the U.S. and Switzerland analyzed the digital fingerprints of documents in both locations. In so doing, we helped the client to respect Swiss privacy law and to avoid redundant review, thereby creating a significant savings of time and money. This level of insightful service exceeds the capability and capacity of most eDiscovery providers and distinguishes Epiq’s offering.

At the end of the first pass review, Epiq’s team was able to export the safe document set — which did not include any data subject to export restriction — for loading to DocuMatrix® at Epiq’s New York office. Once the data had been successfully loaded, the U.S. review team immediately proceeded to conduct a full issue review.

The Main Point
Epiq Systems has worldwide reach and our engagements are increasingly cross-border in nature. This case study exemplifies the market need for global reach and local expertise.

An Epiq Result
Epiq’s consulting organization tailored an innovative approach to process the client’s data on site and to provide the result set to the client’s internal reviewers within the two-week window. The reviewers inspected 1,200 documents each day, and all work steps were completed within the client’s accelerated timeframe.
An Epiq Challenge
A corporate client retained Baker & McKenzie, a top 20 global law firm with 4,000 attorneys around the world, for representation on its Second Request from the U.S. Department of Justice with an eight-week deadline and an important acquisition hanging in the balance. The collected data set included 650 gigabytes of electronically stored information (ESI) estimated to contain more than 3 million documents. With a high volume of work to complete in very little time, Baker & McKenzie brought in Epiq to support this eDiscovery critical project.

An Epiq Solution
As an initial step, Epiq worked with Baker’s legal team to identify junk messages from email domains like ebay.com or espn.com. These clearly non-business emails were removed automatically from the data collection to prevent superfluous review and enable increased focus on more valuable content. Further analysis by Epiq’s consultants found additional patterns of junk data in the data set that led to the elimination of another 1 million documents from the review set.

Baker commenced its inspection of the collected data set using traditional linear review (i.e., attorneys reviewed each document one by one). A 60-lawyer review team initially focused on email messages and applied keyword searches to locate target information.

Epiq provided assistance by applying near-duplicate identification technology to group together substantially similar documents. Doing so accelerated the review team’s progress by enabling collective review of similar drafts or versions of the same content instead of inspecting each such draft or version from scratch.

Epiq’s work continued by using email threading capabilities to gather whole email conversations into a single chain. This allowed the review team to follow email traffic on the same subject from start to finish rather than considering each fragmented message in isolation.

With 750,000 documents left and little time remaining, Epiq then brought in additional expert services professionals to increase the utilization of technology-assisted review (TAR) software. Since Epiq was already hosting the data, the incremental TAR tools could be applied quickly to all remaining documents without sacrificing the coding decisions, redactions, annotations and other work product already created by the review team. Under the workflow framework set forth by Epiq, manual review continued while TAR proceeded in parallel on defined bundles of documents.

An Epiq Result
Successful application of technology-assisted review is as much about having the experience to know how to use it as it is about merely having access to the software tools themselves. With the right people having the right experience with the right tools, Epiq eliminated a large number of documents from time-consuming, expensive, linear review while maintaining a very defensible approach for the client. More review was completed in less time and at lower cost.

Manual review of the final 35 percent of documents took only 10 percent of the total project time and accounted for only 5 percent of the total project costs. After the fact, the client ultimately estimated that the review could have been completed in less than half the time required by linear document review had TAR been applied from the outset of the project. TAR also provided noticeably greater consistency in document classification than was found among documents reviewed manually. The Department of Justice made no material objections to the ultimate document production and the transaction successfully closed as planned.

The Main Point
Technology alone doesn’t make for a successful eDiscovery project. Epiq has the most experienced professionals with current perspectives on evolving best practices. We provide excellent service and technology advice to clients who have large, complex requirements but little time to achieve success.

Case Study Four
eDiscovery

An Epiq Challenge
A corporate client retained Baker & McKenzie, a top 20 global law firm with 4,000 attorneys around the world, for representation on its Second Request from the U.S. Department of Justice with an eight-week deadline and an important acquisition hanging in the balance. The collected data set included 650 gigabytes of electronically stored information (ESI) estimated to contain more than 3 million documents. With a high volume of work to complete in very little time, Baker & McKenzie brought in Epiq to support this eDiscovery critical project.

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An Epiq Challenge

Lehman Brothers is the largest bankruptcy case in the history of Chapter 11 filings. Unprecedented in magnitude, the Lehman Brothers case spanned $600 billion in assets, a highly complex structure of securities instruments, multiple debtor entities and 67,000 claims. Administering a matter of this size required experience, scale and industry leadership to chart new territory.

Epiq received a comprehensive retention including the initial filing, noticing, claims intake, claims reconciliation, voting procedures, balloting and tabulation, and ultimately the largest Chapter 11 disbursement in history.

An Epiq Solution

Epiq assembled an expert team of case management professionals and experts in its consulting organization to work closely with Lehman Brothers, their inside and outside counsel, bankruptcy courts, trustees, creditors and other professionals to design and implement an innovative process to manage the unprecedented high volume of claims and complex nature of the case in an efficient, cost-effective fashion.

Epiq developed custom software to support a specialized claim-filing website. Creditors could submit claims online and upload supporting documentation instead of compiling and sending in hard copy materials. In addition to creating convenience for creditors, the paperless process facilitated the debtor’s evaluation of voluminous documentation and moved the entire case forward faster. The bankruptcy court approved Epiq’s innovative approach and it has become a model for subsequent matters.

As the restructuring progressed, members of the public and professionals working on the case had access to DebtorMatrix®, Epiq’s Web-enabled proprietary software for Chapter 11. Continually refreshed data about claims, events on the court docket and status updates from the debtor and its counsel ensure that all constituents have access to the information they need to make informed decisions.

Beyond Web-based services and particularly in a matter of this size, ensuring consistent, timely communication with parties of interest is paramount. Epiq streamlined constituent communications with around-the-clock call centers and support for email correspondence with the case management team, enabling more efficient one-to-one service for constituents with individual needs or inquiries. Because of the high-profile, large-scale nature of this case, thousands of potential claims holders actually came to the Lehman Brothers headquarters in person. Epiq established an on-site claims intake center and staffed it with a team of 30 members to offer coverage every day of the week, including weekends.

Epiq’s solicitation and balloting experts helped Lehman and its counsel to customize solicitation procedures and balloting forms in preparation for the court’s consideration of the proposed plan process. Lehman’s plan was approved by the bankruptcy court, and Epiq provided continuing updates as votes from creditors were received and tabulated.

An Epiq Result

In preparation for distributions to creditors, Epiq’s disbursements team checked and cross-checked queued disbursements to each recipient and verified appropriate tax documentation and receipt of necessary OFAC (Office of Foreign Assets Control) certifications. Ultimately, we disbursed more than 12,000 checks and wire transfers in a single day and in an aggregate amount of nearly $7.5 billion globally. We coordinated the disbursement of more than $4.5 billion to holders of more than 800 debt securities. A full account reconciliation accounted for the disposition of all funds in the disbursement accounts in a process that had no room for error.

The Main Point

Epiq leads its industries with thought leadership and development of best practices. For Lehman Brothers, we designed a Web-based claims intake system to administer the largest Chapter 11 in history.