

## K2 Wins Auction for AmCad

November 12, 2014

K2 Private Investors LP has won an auction for American Cadastre's land records business with a \$7.2 million offer.

K2, an affiliate of El Segundo, Calif., private equity firm K1 Investment Management LLC, which specializes in acquiring software, was the winning bidder at the Wednesday, Nov. 12, auction, according to Kim J. Brady, Senior Managing Director at SOLIC Capital Advisors LLC, which advised the debtor on the deal.

N. Harris Computer Corp., an operating subsidiary of Toronto software provider Constellation Software Inc., is serving as backup bidder, Brady said.

Brady said the auction went four rounds before N. Harris backed out.

Stalking-horse bidder Klass Software Corp., a Toronto private equity firm specializing in technology companies, had originally offered \$4.7 million for the assets. The company later upped its offer to \$6.45 million on Oct. 28 after Harris submitted a competing bid for the assets.

Brady said once the debtor received two other qualified bids at auction — from K2 and N. Harris — Klass backed out of the bidding.

"This was a great outcome because originally all the stakeholders thought this would be a meltdown situation," Brady said. "Based on the final price, senior lenders will recover 100 cents on the dollar, and there will be additional cash for unsecured creditors."

Judge Mary F. Walrath of the U.S. Bankruptcy Court for the District of Delaware in Wilmington is set to preside over a Thursday sale hearing. Brady said the deal is expected to close Friday.

Walrath on Oct. 31 signed an order approving bid procedures that named Klass stalking horse. Klass will receive a \$150,000 breakup fee, Brady said.

American Cadastre and PE-backed parent AmCad Holdings LLC filed for Chapter 11 on Sept. 19 after looking to sell their assets as a result of declining revenue and faulty bookkeeping.

American Cadastre is a Herndon, Va., developer of software and other services to manage and store large quantities of documents and other records, according to its website. The company primarily targets public-sector clients, including governments at the county, city and state level as well as local judiciaries.

Its financial troubles surfaced after Boston PE firm Riverside Partners LLC bought a majority stake in AmCad on Sept. 16, 2013, according to a declaration from president Patrick Conley. Following the purchase, an investigation found false billings, improper revenue recognition and inaccurately recorded rates of project completion, all attempts by current management to inflate revenue before the Riverside sale, Conley said in his declaration.

He underscored the allegations by pointing out American Cadastre's \$5.6 million net loss on \$8 million in revenue in the first half of 2014, compared with a \$1.5 million net loss on \$12.8 million in revenue in the first half of 2013.

Tepid returns on significant investments in its justice business and the loss of one of its biggest customers, the Oklahoma Supreme Court, in early June this year created a pressing liquidity shortage. With projected cash needs of almost \$7 million for the remainder of 2014, American Cadastre shut down its legal record business on June 23 and terminated almost 90 employees, court papers show. The company's then-president resigned the next day.

On the same day, majority shareholder Riverside purchased a \$1.2 million 10% unsecured note issued by American Cadastre to cover immediate cash needs. The balance on the note was \$1.23 million as of the petition date.

**SOLIC was brought in on July 10 to assess American Cadastre's financial situation and drum up interest for its assets.**

Founded in 1986 as a consulting company focused on the land records market, American Cadastre began developing its software solutions in 2003. Aside from its Herndon location, the company also operates out of offices in Broadway, Va., and Rock Island, Ill.

Parent AmCad listed less than \$50,000 in assets and between \$1 million and \$10 million in liabilities in court papers.

J. Kate Stickles, Michael D. Sirota, Nicholas J. Brannick and Ilana Volkov of Cole, Schotz, Meisel, Forman & Leonard PA are debtor counsel.

Barry Kallander of KallanderGroup Inc. is chief restructuring officer.

Denise Carkhuff of Jones Day represents K2.

Jamie Firsten of Cassels Brock & Blackwell LLP and Seth A. Niederman of Fox Rothschild LLP are counsel to Klass Software.

Schuyler G. Carroll of Perkins Coie LLP and M. Blake Cleary of Young Conaway Stargatt & Taylor LLP represent N. Harris.

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