

**Media Contact:**  
STC Associates  
Kristen Massaro  
646 214 6545  
[kristen@stcassociates.com](mailto:kristen@stcassociates.com)



## **LACK OF TRANSPARENCY CHALLENGES CORPORATE BANKRUPTCY INDUSTRY**

**NEW YORK CITY, NY – February 18, 2009** – Considering the current economic landscape, companies of all sizes are folding under the market downturn. As expected, the bankruptcy industry has flourished and professionals handling these complex restructurings are under a high level of scrutiny. The exception to the rule is the lucrative claims agent sector, an integral part of the Chapter 11 process which remains largely unchecked in the services they provide, the fees generated from those services and the dollars dedicated to creating and maintaining relationships with attorneys and other restructuring professionals. In an era where transparency, accountability and ethics are more pressing than ever, Donlin Recano & Company has highlighted why this part of the bankruptcy process needs to be scrutinized.

“As one of the pioneers of this industry, we believe it would be beneficial to raise critical analysis of this sector that remains exempt from regulation,” said Lou Recano, Chief Executive Officer and Scott Stuart, Partner both of Donlin Recano & Company. “In a sector that earns millions of dollars annually, these are critical issues that need to be addressed in order for the restructuring process and the goal of maximizing a return to unsecured creditors to have any efficacy.”

- ***Institute checks and balances on the debtor selection process of claims agents***

If a claims agent is responsible for the maintenance of hundreds of thousands of federal records, should there not be a standard protocol in selecting one company over another to administer and maintain these records. While the Clerk of the Southern District of New York Bankruptcy Court has taken preliminary steps to address this issue; price analysis, competitive bidding and debtor input in the selection of a claims agent, all impacting on what may be recovered by unsecured creditors, are largely ignored.

- ***Maintain conservative marketing efforts when pitching services***

Despite a notable decrease of marketing initiatives in most industries, efforts amongst the entities in the claims agent sector continue to expand as a way to enhance relationships with professionals who can steer lucrative case assignments their way. Marketing incentives range from the purchase of expensive gifts to the hosting of lavish junkets. Given the role of the claims agent sector in aiding the functions of a federal office certain ethical considerations should be taken into account.

- ***Define a fee structure which assures accountability and transparency***

Claims agents are not required to adhere to the same standards as other professionals as there is no formal review process to create a checks and balances system. Recent entrants into the sector are billing clients for a range of services that differ from traditional responsibilities. This translates into charges for an array of tasks performed without validation and may lead to decreased “recovery” for creditors. In an era where accountability matters more, claims agents should be subject to the appropriate level of oversight to assure propriety of fees amassed.

For further information on transparency in the claims management sector see the American Bankruptcy Institute article [Lack of Transparency Challenges Claims Agent Sector](#).

**About Donlin Recano**

Donlin Recano is the leading claims management company that has served over 200 national clients across a broad range of industries and business sectors. Working with counsel, turnaround advisors and the affected company, Donlin Recano helps organize and guide Chapter 11 clients through administrative bankruptcy tasks, including provision of Web site-accessible information, formation of professional call centers, management of claims, balloting, distribution and other administrative services.

The company also provides similar services to creditor committees of clients in an effort to comply with The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.

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