

Defining the Difference #102



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LIABILITY FOR PROVIDING FINANCIAL CAPABILITY INFORMATION LAWSUIT

SITUATION

[H.S. Grace & Company, Inc.](#) ("HSG") was engaged by counsel for a financial services firm which had worked with a client who sought to sell a controlling interest in his business while retaining a substantial minority position. The financial services firm introduced another client as a potential buyer and the parties negotiated for some time but failed to close. The seller incurred additional financial difficulties during these negotiations and was forced to sell the entire business. Subsequent to the sale, the value of the business rose markedly. Also, subsequent to the sale, an inappropriate business relationship was uncovered between an executive at the financial services firm and the potential buyer they had introduced. The seller sued, alleging that being forced to sell the entire business deprived the seller of the appreciation in the minority interest which was to be retained.

ANALYSIS

HSG examined the history of the seller's business as well as various materials regarding the negotiations between the seller and the proposed buyer. HSG established that the seller had unsuccessfully sought to sell a majority of the business to other well-known buyers. HSG also established that the seller's credit lines and financing capability would be inadequate to meet his financing requirements as a minority owner. Given step-down provisions and other means for adjusting ownership interests when one party is unable to fulfill its financing responsibilities, it appeared the majority owner would have taken over the seller's minority interest. Also, HSG determined that certain lenders would continue to hold secured interests in the seller's minority position, an unpleasant position for the majority owner.

RESULT

Counsel for the financial services firm utilized our Report and deposition testimony in negotiating a favorable settlement prior to the scheduled trial.

If you would like to know more...

If you would like to know more about this case, or about the kinds of business-based analysis of claims and damages available from [H.S. Grace & Company](#), you are invited to contact members of our group, [Al Fenichel](#), [Charles Fischer](#), [Steve Grace](#), and [H. Stephen Grace, Jr.](#), at (713) 572-6800.

H. S. Grace & Company, Inc. (HSG) is a litigation support and consulting firm established in 1993 that works with in-house counsel, outside counsel, insurance carriers and corporate attorneys, as well as company boards and senior management. HSG specializes in assisting clients both before and during litigation in analyzing and assessing the validity of claims

involving representations and warranties, directors and officers responsibilities, financial reporting, business judgment, merger and acquisition disputes and other complex issues. The firm provides expert testimony from our detailed analyses of the business decisions and actions, issues reports of how the actions of all parties involved affect causation and evaluation of damages and provides guidance to support settlement strategies and negotiations. HSG has approximately 30 consultants, including experienced testifying experts, who have had significant experience as senior executives (e.g., CEOs, COOs, CFOs, SVPs, treasurers, technical professionals and board members), many of whom hold advanced degrees and professional certifications. Our experienced team members look deeply into claims and allegations to determine not only what happened, but how and why, to speak authoritatively about appropriate business practices, and to assist clients in achieving favorable outcomes. HSG has represented banks and other financial institutions, real estate partnerships, energy companies, pharmaceutical firms, healthcare companies, insurance carriers, retailers, technology companies and others in a broad array of complex commercial litigation

If you would like to know more visit our website at www.hsgraceco.com

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