



H.S. Grace & Company, Inc.

Real Estate Partnership Dispute

The experience of H.S. Grace & Company, Inc.'s (HSG) team of former senior executives and board members enables us to evaluate complex business governance and management practice issues both within and outside of corporate environments. In the project described below, we were engaged to evaluate management and governance practices and processes in a series of commercial real estate partnerships where a number of complex, emotionally-charged disputes had arisen.

Allegations

Multiple disputes arose among the partners of a group of partnerships owning several large multi-family residential complexes. One set of disputes revolved around the extent of the authority of the managing general partner and the appropriateness of his decisions in connection with the operation of the partnerships and the pending sales of several of the complexes. There were also disputes relating to the terms of the contracts between the partnerships and an entity controlled by another partner and his family (the leasing manager) for the management and leasing of the complexes and disputes concerning the performance of the leasing manager under those contracts. The partner controlling the leasing manager brought multiple arbitration and court proceedings against the other partners, including the managing general partner, which were obstructing the pending sales of several of the properties.

Analysis

The managing partner engaged HSG to examine various partnership, real estate, and property management issues. These issues included:

- The validity of the election of the managing general partner;
- The capacity and ability of the managing general partner to function as evidenced by his actions;
- The management and governance of the partnerships in accordance with normal and customary fiduciary standards;
- The actions of the managing general partner in the marketing and contracting to sell the complexes under contract and the terms of the contracts of sale; and
- Evaluation of the terms of the management agreements and assessment of the leasing manager's actions and performance when considered in the context of usual and customary standards.

The HSG team included members with extensive experience in negotiating and operating sophisticated and complex real estate partnerships and in the construction, management, marketing and sale of large real estate projects.

Working in close contact with the representatives of the managing general partner and his counsel, the team conducted a detailed analysis of the actions of the managing general partner and the actions of the leasing manager.

Result

The sales of the complexes proceeded in accordance with the preferences of HSG's client and the majority of the partners.

H.S. Grace & Company, Inc. is a team of senior executives who diagnose and resolve critical corporate problems in business governance, operations, finance and control. With more than 1,000 years of experience, our goal is to help companies enhance shareholder value, protect reputation and their long-term ability to succeed, avoid and manage litigation, and navigate major changes such as mergers and acquisitions or bankruptcies. We often serve as consulting and testifying experts, identifying and analyzing critical business issues.

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