



H.S. Grace & Company, Inc.

**Defining the Difference # 60 July 2012**  
**Offshore Energy Company Bankruptcy –**  
**Special Consultant and Financial Advisor to Court Appointed Examiner**

Complex structural, commercial and financial issues are at the core of many bankruptcy related proceedings. H.S. Grace & Company, Inc.'s (HSG) team of highly qualified current and former executives and board members of both public and private companies have extensive experience in investigating and analyzing complex issues in both bankruptcy and bankruptcy-related litigation. HSG's experts have chaired, advised and served on unsecured creditors' committees; served on the boards of reorganized companies; served as consultants to a court-appointed examiner; and advised clients in complex trustee litigation arising out of bankruptcies. The following HSG assignment as special consultant and financial advisor to the court appointed examiner in an offshore energy company bankruptcy demonstrates the scope of the issues which must be examined in this type of proceeding.

**Situation**

Creditors had lost confidence in the management and owners of a significant offshore energy company, which had filed for bankruptcy, and requested that the Court appoint a trustee or, alternatively, an examiner to address a number of complex commercial and financial issues. The court appointed examiner selected HSG with court approval to assist the examiner in evaluating a number of issues, including the reasons the multiple interlocking businesses had failed and whether management should be replaced as a result of fraud or mismanagement.

**Analysis**

The examination revealed a variety of issues to be addressed. These included analysis of interlocking corporate and non-corporate structures; extensive related party transactions such as loans, fee agreements and other commercial contracts; corporate consulting contracts with the owner; sale and buyback transactions among affiliated parties; cross-border financings; Lichtenstein trusts; going concern and consolidation/combination accounting issues; major energy facility construction contracts; and other management issues. To address these issues HSG put together a team, which included the former CFO of a large oil & gas company, the former Controller of a significant international offshore service and supply company, the former director and senior credit officer of an international bank, and the former head of the accounting department of a major university. Working in close contact with and under the direction of the Examiner, the team conducted a detailed analysis of the debtor, analyzed the cause of the eventual bankruptcy, and assisted the Examiner and counsel in report and testimony preparation.

## Result

After the Examiner submitted his report, the senior creditor renewed its motion for appointment of a Trustee to replace existing management of the bankrupt energy company. The U.S. Trustee supported this motion. As a result, the debtor restructured its prior settlement offer, paid the secured lenders 100% of the amount owed plus accrued interest and paid 70% of the unsecured debt.

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*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.*

## **Representative Issues Examined**

- Lender Liability
- D&O
- Corporate Split-off
- Family Trust
- Health Care
- Professional Services
- Intellectual Property
- International Structured Finance Transaction
- Fraud
- Pension Fund Investments
- SEC White Collar Defense
- Stock Option Backdating
- Oil & Gas
- Real Estate
- Fiduciary Issues
- Contract Dispute
- Fund Management
- Market Timing Allegations
- Financial Derivatives
- Portfolio Management
- Special Purpose Corporation

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