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## Bankruptcy Exit Financing for Grace Drops to \$600 million

W.R. Grace & Co, a company that manufactures catalysts for oil refining confirmed that the money it needs to exit from its decade-long bankruptcy fell to \$600 million after a spike in its cash reserves. Grace will utilize \$1 billion of its cash to finance its emergence from bankruptcy, according to its Chief Financial Officer, Hudson La Force III.

The amount that Grace needed for exiting bankruptcy has fallen over the years. Back in 2008, the company said it needed \$1.5 billion. It forecasted in July last year that it would need to borrow \$800 million.

The company filed for Chapter 11 bankruptcy protection in April 2001.

The Columbia, Maryland-based company is to compensate victims of lung disease connected to asbestos that used to be found in Grace products.

Grace intends to set up a trust to do so. It has submitted its reorganization plan which was approved by US bankruptcy judge Judith

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Fitzgerald on January 31. However, the plan requires a higher court's approval because according to the plan, future claimants would have to claim compensation from the trust and not Grace directly.

Grace's pre-tax fourth quarter profit last year rose to 62 cents per share from 47 cents a share. However, this does not include bankruptcy costs and restructuring expenses but it exceeded the 61 cent per share estimated by three analysts in a Bloomberg survey. In addition, revenue rose by 4.1% to \$693 million, sales volume grew by 5.3% and the average prices of Grace products also increased by 1.4%. The construction unit's sales rose for the first time since 2008 by 2%.

On the other hand, the Grace Davison unit that manufactures the oil refining catalysts experienced a slight drop in its profits due to higher raw material costs. The price for lanthanum, the rare earth element used in the catalysts, went up by eight times. As a result of this, Grace imposed surcharges since the fourth quarter of last year, which will likely remain through 2011, as the price of rare earth raw materials is expected to continue to be high.

Grace forecasts that earnings before interest and tax in 2011 will increase to \$385 million, a jump of 18% and sales will likely increase by as much as 10% to \$2.95 billion.

The company's cash balance rose 25% to \$1.1 billion as of Dec. 31.

If you need to improve your financial position, consider filing for bankruptcy protection. Call us at (813) 200 4133 for a free consultation.

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