

## Beckham in Reuters: Creditor Stock Buys Might Be Best Bankruptcy Option

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Energy businesses that are trying to exit bankruptcy are finding a savior in some of their own creditors, which have been scooping up newly issued stock from the companies at hefty discounts, [Reuters](#) reported.

More than a dozen so-called rights offerings have raised billions of dollars over the past 18 months, according to data compiled by Reuters, to help revitalize these energy companies in return for large fees and juicy investment returns. But those benefits have not been equally shared among all the creditors providing the cash. The deals are coming under increasing scrutiny by creditors and shareholders in some bankrupt companies over how to divvy the returns, and whether these companies should be looking for a different strategy altogether.

Breitbart Energy Partners (BBEPQ.PK) is a case in point. An official committee representing shareholders hopes to derail a \$1 billion rights offering that the company is considering, which would be the biggest such offering in years.

In these deals, a company sells newly issued stock — typically discounted around 20 percent to its estimated value — to its creditors, which are usually hedge funds that hold its bonds. The technique has proven lucrative for a select group of hedge funds such as Elliott Management that specialize in distressed investing.

From January 2016 to June 2017, 17 of 56 bankrupt publicly-traded energy companies have sought to refinance through a rights offering, according to a Reuters review of court and regulatory filings. By comparison, in 2015, six of the 41 bankrupt publicly traded energy companies did so. ...

[Charles Beckham](#), a Haynes Boone bankruptcy lawyer in Houston, said companies often have no affordable alternative to a rights offering, and the technique assures the creditors that want to take control of a company they will not compete for ownership.

"There is nothing wrong with that, but it sometimes leaves a bad taste in the mouths of those not getting paid," he said.

Excerpted from Reuters. To read the full article, click [here](#).