

Connacher Oil and Gas Ltd. Announces Amended and Restated Support Agreement with Consenting First Lien Lenders and CCAA Plan of Compromise and Arrangement

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CALGARY, May 6, 2019 - [Connacher Oil and Gas Ltd.](#) ("Connacher" or the "Company") is pleased to announce that it has entered into an Amended and Restated Support Agreement (the "Amended and Restated Support Agreement") with certain first lien lenders (the "Consenting First Lien Lenders") holding in excess of 75% of the principal amount of debt outstanding under the First Lien Credit Agreement dated as of May 23, 2014 (as amended) (the "First Lien Credit Agreement") and Wilmington Trust, National Association (the "First Lien Agent") and that Connacher will be applying to the Court of Queen's Bench of Alberta (the "Court") in its Companies' Creditors Arrangement Act ("CCAA") proceeding to seek the Court's approval of, among other things, Connacher's entry into the Amended and Restated Support Agreement, the Court's acceptance of the filing by Connacher of a CCAA Plan of Compromise and Arrangement as contemplated by the Amended and Restated Support Agreement and attached at Schedule "C" thereto (the "2019 CCAA Plan"), a key employee retention plan, and the Court's authorization for Connacher to call meetings of its creditors to consider and vote on the 2019 CCAA Plan (the "Creditors' Meeting Order").

The Amended and Restated Support Agreement amends the previous Support Agreement among Connacher, the Consenting First Lien Lenders and the First Lien Agent dated March 19, 2018 and contemplates a transaction whereby the first lien lenders under the First Lien Credit Agreement (the "First Lien Lenders") will become the owners of Connacher's business either through (i) an exchange of a portion of the obligations under the First Lien Credit Agreement (the "First Lien Debt") for new senior secured debt of Connacher and all of Connacher's equity, which shall be effected by way of the 2019 CCAA Plan and on the terms set out in the Plan Term Sheet (the "Plan Term Sheet") attached as Schedule "B" to the Amended and Restated Support Agreement (the "Plan Transaction"), or (ii) in the event that the Creditors' Meeting Order is not granted by the Court, the 2019 CCAA Plan is not approved by Connacher's creditors or the Court, or if Connacher and the Consenting First Lien Lenders jointly determine that it is no longer viable to implement the Plan Transaction (each a "CCAA Plan Termination Event"), the First Lien Agent, on behalf of the First Lien Lenders, shall cause a new company to be formed (the "Credit Bid Purchaser") to credit bid a portion of the First Lien Debt for all or substantially all of Connacher's property and assets which shall be effected by way of a Purchase and Sale Agreement (the "PSA") substantially in the form attached as Schedule "E" to the Amended and Restated Support Agreement and on the terms set out in the Credit Bid Term Sheet (the "Credit Bid Term Sheet") attached as Schedule "D" to the Amended and Restated Support Agreement (the "Credit Bid Transaction").

The Plan Transaction includes the following transactions whereby, among other things, pursuant to and in accordance with the 2019 CCAA Plan:

- a) all Affected Claims (as defined in the 2019 CCAA Plan) will be compromised and extinguished;
- b) a portion of Connacher's cash-on-hand shall be used to (i) satisfy in full all claims which rank pari passu with or in priority to the First Lien Debt, and (ii) establish an administrative reserve fund;
- c) each Tranche A Lender under the First Lien Credit Agreement shall receive in respect of the principal amount of its Tranche A Loans its pro rata share of the obligations under a new senior secured term facility on the key terms set out in the Plan Term Sheet;
- d) each Tranche A Lender and Tranche B Lender shall receive in respect of, in the case of a Tranche A Lender, the accrued interest on its Tranche A Loans, and, in the case of a Tranche B Lender, the principal and accrued interest of its Tranche B Loans, its pro rata share of voting common shares of a new class of shares of Connacher, which, immediately following issuance, will constitute all of the issued and outstanding shares of Connacher; and
- e) a portion of Connacher's cash-on-hand shall be used to establish a general creditor pool in the aggregate amount of \$500,000 (plus the amount required to satisfy "Convenience Class Claims" under the 2019 CCAA Plan) which shall be distributed to the creditors of Connacher. As Connacher's creditors will not be paid in full under the 2019 CCAA Plan, no value will accrue to Connacher's creditors as a result of the implementation of the 2019 CCAA Plan and the outstanding shares and options of Connacher will be cancelled for no consideration and without any vote of the existing shareholders.

In the event that a CCAA Plan Termination Event occurs, subject to the terms and conditions of the Amended and Restated Support Agreement and PSA, the Credit Bid Purchaser will acquire all or substantially all of the property and assets of Connacher in exchange for a portion of the First Lien Debt. If the Credit Bid Transaction occurs, Connacher does not expect any value will accrue to any of Connacher's creditors (other than the First Lien Lenders and those creditors with claims that rank pari passu with or in priority to the First Lien Debt) and, subject to approval by the Court, Connacher's property and assets will be transferred to the Credit Bid Purchaser free and clear of all claims.

Pursuant to the Amended and Restated Support Agreement and subject to approval by the Court, Connacher will put in place a key employee retention plan (the "Credit Bid KERP") for certain of Connacher's key employees to incentivize them to remain with Connacher through successful completion of the Plan Transaction or Credit-Bid Transaction and beyond emergence from CCAA. The Credit Bid KERP is an important component of the parties' support under the Amended and Restated Support Agreement.

The Amended and Restated Support Agreement, including the Plan Transaction or Credit Bid Transaction, are subject to certain conditions precedent as set out in the Amended and Restated Support Agreement, the Plan Term Sheet, the 2019 CCAA Plan, the Credit Bid Term Sheet and PSA, as applicable, including Court approval of the Amended and Restated Support Agreement, receipt of certain regulatory approvals and, in the case of the 2019 CCAA Plan, receipt of requisite creditor approval and Court sanction. The Amended and Restated Support Agreement, the Plan Term Sheet, the 2019 CCAA Plan, the Credit Bid Term Sheet and PSA also contain other terms and conditions customary for transactions of this nature, including typical "fiduciary out" terms that would permit Connacher, under certain circumstances, to pursue a superior transaction.

On May 16, 2019, Connacher intends to seek the Creditors' Meeting Order from the Court. If the Creditors' Meeting Order is granted, Connacher will provide further information at that time.

The above description is a summary only and is subject to the terms of the definitive Amended and Restated

Support Agreement, including the Plan Term Sheet, Credit Bid Term Sheet, 2019 CCAA Plan and PSA, as applicable. The material terms of the Amended and Restated Support Agreement, the Plan Term Sheet, the 2019 CCAA Plan, the Credit Bid Term Sheet and PSA are contained in the Amended and Restated Support Agreement, the Plan Term Sheet, the 2019 CCAA Plan, the Credit Bid Term Sheet and PSA, copies of which are available on the website of the Court-appointed Monitor of the Company in the CCAA proceeding at www.ey.com/ca/connacheroilandgas and will be filed under the Company's profile on www.sedar.com.

About Connacher

Connacher is a Calgary-based in situ oil sands developer, producer, and marketer of bitumen. The Company's principal asset is a 100 per cent interest in the Company's Great Divide oil sands leases near Fort McMurray, Alberta. The Company operates two steam-assisted gravity drainage facilities at these oil sands leases.

Forward Looking Information

This press release contains forward looking information including, but not limited to the transactions contemplated in the Amended and Restated Support Agreement, the Plan Term Sheet, the 2019 CCAA Plan, the Credit Bid Term Sheet and PSA; the Company's CCAA proceeding; the Company's ability to manage its liquidity position and deploy the capital required to maintain existing reserve and production bases, fund maintenance capital, fund work capital requirements and meet contractual and other commitments; expectations regarding future commodity prices, foreign exchange rates, diluents blend ratio, transportation costs, and production and operating costs in future periods; expectations regarding sales and production, bitumen netbacks, general and administrative expenses, and capital expenditures in future periods; the Company's reserves; and general operational and financial performance in future periods.

Forward looking information is based on management's expectations regarding the implementation of the Plan Transaction and 2019 CCAA Plan or the Credit Bid Transaction pursuant to the Amended and Restated Support Agreement, the 2019 CCAA Plan and PSA. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the approvals or other conditions required to successfully implement either the Plan Transaction and 2019 CCAA Plan or the Credit Bid Transaction and PSA may not be obtained or satisfied; that the Company may not be able to prevent third parties from obtaining court orders or approvals that are contrary to the Company's interests, risks relating to the future co-operation of the creditors of the Company, as well as the risks associated with conducting business in the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), risk of commodity price and foreign exchange rate fluctuations, risks associated with the impact of general economic conditions, risks and uncertainties associated with maintaining the necessary regulatory approvals and securing the financing to continue operations and increase production to levels previously achieved.

Although the Company believes that the expectations in such forward looking information are reasonable, there can be no assurance that such expectations shall prove to be correct. Any forward looking information included in this press release is expressly qualified in its entirety by this cautionary statement. Any forward looking information included herein is made as of the date of this press release and the Company assumes no obligation to update or revise any forward looking information to reflect new events or circumstances, except as required by law.

SOURCE [Connacher Oil and Gas Ltd.](#)

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