

# **Delphi Energy Corp. Announces Proposed Plan of Compromise and Arrangement and \$22.9 Million Capital Investment by Kiwetinohk Resources Corp.**

06.07.2020 | [CNW](#)

CALGARY, July 6, 2020 - [Delphi Energy Corp.](#) ("Delphi" or the "Company") announces a recapitalization and financing transaction (the "Restructuring Transaction"), to be implemented as a plan of compromise and arrangement (the "Plan") under the Companies' Creditors Arrangement Act ("CCAA") and the Canada Business Corporations Act, that will allow the Company to substantially reduce its debt and associated interest costs, while improving available liquidity and injecting new capital to fund future operations.

In connection with the Plan, the Company and its subsidiaries, Delphi Energy (Alberta) Limited and Delphi Energy Partnership (collectively, the "Delphi Parties"), have entered into a restructuring support agreement (the "Support Agreement") with certain of the Delphi Parties' significant secured creditors, Luminus Energy IE Designated Activity Company, Concise Capital Management, LP and Stornoway Portfolio Management, Inc., directly and/or through their managed funds (the "Initial Plan Sponsors"). Pursuant to the Support Agreement, the Initial Plan Sponsors have, among other things, agreed to provide \$8.75 million in cash, in part, to fund the Plan (the "Plan Sponsor Funds") and to take other actions to support the Plan. The Support Agreement remains subject to approval and authorization by the Court of Queen's Bench of Alberta (the "Court") in connection with the Delphi Parties' restructuring efforts under the CCAA.

Concurrent with execution of the Support Agreement, Delphi also entered into a capital investment agreement (the "Investment Agreement") with Kiwetinohk Resources Corp. ("KRC") pursuant to which KRC has agreed to make a \$22.9 million capital investment (the "Capital Investment") in Delphi following emergence from CCAA in exchange for shares and warrants, as further described below. Delphi's obligations under the Investment Agreement are subject to approval by the Court and the effectiveness of the Plan.

The implementation of the Plan is conditional upon, among other things: (i) the approval by the required majorities of holders of the Company's senior secured notes due 2023 ("Second Lien Notes") and General Unsecured Creditors (as such term is defined in the Plan) of the Delphi Parties voting at separate meetings ("Meetings") of those creditors to be called for such purpose, which Meetings are expected to be held in early September 2020; and (ii) if the Plan is approved at the Meetings, an order of the Court sanctioning the Plan under the CCAA.

The Delphi Parties intend to bring an application before the Court on July 10, 2020 to seek approval of the Support Agreement, the Investment Agreement and the holding of the Meetings.

The Meetings will be held pursuant to and in accordance with an order of the Court also to be sought on July 10, 2020. Additional information with respect to the Plan and the Meetings, including instructions on how to vote at the meetings, will be set forth in an information circular and proxy statement of the Delphi Parties (the "Information Circular"), which is expected to be mailed or otherwise made available in late July to early August 2020 to beneficial holders of Second Lien Notes and General Unsecured Creditors as of the applicable record dates. A copy of the Information Circular will also be made available on SEDAR under the Company's profile.

## RESTRUCTURING TRANSACTION

The Plan and the Restructuring Transaction include the following key elements:

- The operations of the Delphi Parties will continue as normal and without disruption following the implementation of the Plan;
- The claims of creditors in respect of:
  - approximately \$13.5 million outstanding under the Company's debtor-in-possession interim loan financing secured by a Court-ordered priority security interest,
  - approximately \$13.0 million outstanding under the Company's senior credit facility secured by a first lien security interest, and
  - approximately \$119.7 million outstanding under the Second Lien Notes secured by a second lien security interest,

will be settled in exchange for approximately 14.7%, 14.2% and 36.5% of the issued and outstanding voting common shares of a newly created class of shares of the Company (the "New Shares"), respectively, subject, in the case of the Second Lien Notes, to the Second Lien Opt-Out Election (as defined below);

- Subject to the terms and limits set out in the Plan, beneficial holders of Second Lien Notes holding an aggregate principal amount of Second Lien Notes equal to or less than \$200,000 will have the opportunity to elect (the "Second Lien Opt-Out Election") to receive cash in the amount of \$0.25 per dollar of outstanding principal amount of Second Lien Notes in lieu of the New Shares that they would otherwise be entitled to receive pursuant to the Plan; provided that, in the event that the aggregate of all payments pursuant to the Second Lien Opt-Out Election would exceed the aggregate amount of \$1 million, such payment will be reduced on a pro rata basis so that total payments pursuant to the Second Lien Opt-Out Election do not exceed \$1 million;
- In exchange for the Plan Sponsor Funds, the Initial Plan Sponsors will be issued approximately 9.6% of the issued and outstanding New Shares;
- In exchange for the Capital Investment, KRC will be issued 25% of the New Shares, plus warrants that are exercisable into such number of shares as will result in KRC holding 50%+1 of the New Shares upon satisfaction of certain conditions in the future and payment of an aggregate exercise price equal to approximately \$37.5 million (subject to certain adjustments in accordance with the terms of the warrants);
- General Unsecured Creditors with accepted claims less than or equal to \$5,000 ("Convenience Class Creditors"), and other General Unsecured Creditors who make an election to be treated as Convenience Class Creditors, will be paid in full up to \$5,000;
- All other General Unsecured Creditors will be entitled to payment in respect of their accepted claims based on their pro rata share of a General Unsecured Creditor cash pool in the amount of \$3 million, less amounts required to fund payments to Convenience Class Creditors. Beneficial holders of Second Lien Notes will be entitled to be treated as General Unsecured Creditors in respect of a deficiency claim in the aggregate amount of approximately \$83.8 million;
- Delphi will grant to certain officers of the Company options and restricted share units entitling them to acquire in the aggregate 10% of the issued and outstanding New Shares; and
- All existing common shares, warrants and options of Delphi (collectively, the "Equity Claims") will be cancelled and extinguished for no consideration and without any return of capital. Holders of Equity Claims will not be entitled to attend or vote at the Meetings.

In connection with the Plan, Delphi's existing investor rights agreement will be terminated, and Delphi will enter into a new investor agreement with Luminus Energy IE Designated Activity Company and KRC granting them certain board nomination and approval rights.

The above description is a summary only and is subject to the final provisions of the Plan.

#### Additional Information

Delphi and certain of its subsidiaries were granted an initial order and protection under the CCAA on April 14, 2020. PricewaterhouseCoopers Inc. has been appointed by the Court as monitor in the CCAA proceedings. Materials publicly filed in the CCAA proceedings, including copies of the initial order of the Court, are available on the monitor's website at <http://www.pwc.com/ca/delphi>. Delphi will continue to provide updates regarding its restructuring as developments warrant.

#### About Delphi Energy Corp.

[Delphi Energy Corp.](#) is a junior E&P producer of liquids-rich natural gas. The Company has achieved top decile operational results through the development of its high quality Montney property, uniquely positioned in the deep basin of northwest Alberta. Delphi continues to improve its operational efficiencies through the development of its dominant land position at Bigstone. Delphi is headquartered in Calgary, Alberta.

Forward-Looking Statements. This news release contains forward-looking statements and forward-looking

information within the meaning of applicable Canadian securities laws. These statements relate to future events or the Company's future performance and are based upon the Company's internal assumptions and expectations. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance", "budget" and similar expressions.

More particularly and without limitation, this release contains forward-looking statements and information relating to the implementation of the Plan and the anticipated results thereof; timing for applications to the Court for required approvals; timing for mailing or other delivery of the Information Circular; timing of the Meetings; and required approvals for the Plan. The forward-looking statements and information contained in this release are based on certain key expectations and assumptions made by Delphi. The following are certain material assumptions on which the forward-looking statements and information contained in this release are based, including: satisfaction of the conditions to implementation of the Plan and the transactions contemplated by the Support Agreement and the Investment Agreement, including approval of the Plan by the required majorities at the Meetings and by the Court; the ability of the Company to operate in the ordinary course during the CCAA proceedings, including with respect to satisfying obligations to service providers, suppliers, contractors and employees; the ability of the Company to continue as a going concern; the Company's future liquidity position, and access to capital, to fund ongoing operations and obligations; the ability of the Company to stabilize its business and financial condition; the ability of the Company to implement and successfully achieve its business priorities; the ability of the Company to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements; the general regulatory environment in which the Company operates; the tax treatment of the Company and the materiality of any legal and regulatory proceedings; the stability of the global and national economic environment, the stability of and commercial acceptability of tax, royalty and regulatory regimes applicable to Delphi, exploitation and development activities being consistent with management's expectations, production levels of Delphi being consistent with management's expectations, the absence of significant project delays, the stability of oil and gas prices, the absence of significant fluctuations in foreign exchange rates and interest rates, the stability of costs of oil and gas development and production in Western Canada, including operating costs, the timing and size of development plans and capital expenditures, availability of third party infrastructure for transportation, processing or marketing of oil and natural gas volumes, prices and availability of oilfield services and equipment being consistent with management's expectations, the availability of, and competition for, among other things, pipeline capacity, skilled personnel and drilling and related services and equipment, results of development and exploitation activities that are consistent with management's expectations, weather affecting Delphi's ability to develop and produce as expected, contracted parties providing goods and services on the agreed timeframes, Delphi's ability to manage environmental risks and hazards and the cost of complying with environmental regulations, the accuracy of operating cost estimates, the accurate estimation of oil and gas reserves, future exploitation, development and production results and Delphi's ability to market oil and natural gas successfully to current and new customers. Additionally, estimates as to expected average annual production rates assume that no unexpected outages occur in the infrastructure that the Company relies on to produce its wells, that existing wells continue to meet production expectations and any future wells scheduled to come on in the coming year meet timing and production expectations.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent known and unknown risks and uncertainties. Delphi's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Delphi will derive therefrom. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as 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 estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition from others for scarce resources, the ability to access sufficient capital from internal and external sources, changes in governmental regulation of the oil and gas industry and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in the Company's most recent Annual Information Form and other reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Readers are cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this release are made as of the date of this release for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this release are expressly qualified in their entirety by this cautionary statement.

[www.delphienergy.ca](http://www.delphienergy.ca)

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/355437--Delphi-Energy-Corp.-Announces-Proposed-Plan-of-Compromise-and-Arrangement-and-22.9-Million-Capital-Invest>

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