



## **International Company**

### **Transaction of the Year**

#### **Molycorp Inc.**

Kenneth Buckfire, Miller Buckfire & Co.

Kevin Haggard, Miller Buckfire & Co.

Ken Hiltz, AlixPartners

George Howard, Jones Day

Molycorp, Inc. ("Molycorp" or the "Company") was a rare earth mining and processing company that combined the only rare-earth mining facility in North America ("Mountain Pass") with international processing facilities (the "Downstream Businesses") in China, Thailand, Estonia, and Germany, among other locations. Molycorp was conceived as a vertically integrated rare earth company and to this end raised approximately \$1.4 billion in debt to modernize operations at Mountain Pass and purchase Neo Material Technologies for \$1.3 billion.

From 2010 to 2016 Molycorp spent approximately \$1.7 billion in capital expenditures to build out a mining and processing facility at its Mountain Pass mine in California. In 2014, China removed an export quota system for rare earths, contributing to a precipitous decline in pricing. When paired with this commodity price decline, operational issues at Mountain Pass put Molycorp in need of liquidity. The Company sought rescue financing from Oaktree Capital Management ("Oaktree") in September 2014. Despite the influx of liquidity, Company performance continued to deteriorate and Molycorp commenced its bankruptcy case on June 25, 2015, with approximately \$1.7 billion of funded debt.

Deciding the path forward for the Company involved negotiations with Oaktree, Molycorp's 10 percent Secured Noteholders, and its Unsecured Creditors Committee. Value in the Molycorp structure was concentrated in the Downstream Businesses, which, paired with the complex collateral packages, drove negotiating dynamics. From these negotiations, a dual-track sale and reorganization process was formed to account for all parties' desires. Extensive efforts were made to sell Molycorp for enough value to satisfy Oaktree's claims in full. Such a sale was not possible. After extensive negotiations, the Company presented a largely consensual chapter 11 plan to the bankruptcy court that (i) reorganized the Company around the Downstream Businesses; (ii) resolved significant litigation commenced by the creditors' committee; and (iii) separated Mountain Pass from the Downstream Businesses by placing it into a separate Chapter 11 proceeding under the supervision of a Chapter 11 trustee.

The reorganized Company emerged in August 2016 as Neo Performance Materials with no debt on its balance sheet and continues to run the profitable Downstream Businesses.

Given Mountain Pass' operational uncertainties, the orderly wind-down of its operations also was a significant achievement. Severance and benefits were provided to more than 400 employees, environmental harm was avoided, and the value of key mining assets was preserved by a soft-landing into a standalone Chapter 11 proceeding that remains ongoing.