



## **International Company**

### **Turnaround of the Year**

#### **Pacific Exploration & Production Corp**

Mica Arlette, PricewaterhouseCoopers Inc.  
Scott Bomhof, Torys LLP  
Gabriel de Alba, The Catalyst Capital Group Inc.  
Andrew Kent, McMillan LLP  
Pierre Laporte, Deloitte Restructuring Inc.  
Brendan O'Neill, Goodmans LLP  
Greg Prince, PricewaterhouseCoopers Inc.  
Tony Reyes, Norton Rose Fulbright Canada LLP  
Robert Thornton, Thornton Grout Finnigan LLP

Pacific Exploration and Production Corporation (“Pacific”) is a Canadian incorporated oil and gas exploration, production, and infrastructure company with assets across Latin America. After accumulating over \$5.6 billion of debt to finance acquisitions and build out pipelines, ports, a water treatment plant, and electricity transmission infrastructure, the company faced a liquidity crisis, culminating in an unsustainable net leverage position at the end of 2015.

In light of this financial situation, Pacific engaged with an ad hoc committee of its bank lenders (representing approximately US\$1.1 billion of bank debt) and an ad hoc committee of its noteholders (representing approximately US\$4.0 billion of notes) to develop a pre-packaged restructuring plan (together, the “Creditors’ Committees”) for the company. As part of this process, Pacific and the Creditors’ Committees developed a pre-filing sales and investment solicitation process to solicit and select additional investment into the reorganized company. Pursuant to this sales process, The Catalyst Capital Group (“Catalyst”) was ultimately selected by Pacific and the Creditors’ Committee to participate in the prepackaged “Creditor/Catalyst Plan” and as the best partner for the reorganized business going forward. Following the selection of Catalyst and the development of the Creditor/Catalyst Plan, in April 2016, Pacific filed for creditor protection in Canada under the Companies’ Creditors Arrangement Act (“CCAA”) and PricewaterhouseCoopers Inc. was appointed Monitor. The filing was made in order to seek full creditor and court approval of the Creditor/Catalyst Plan and recognition of the same in the United States and Colombia. The Creditor/Catalyst Plan was approved and implemented in December 2016.

Under the terms of the Creditor/Catalyst Plan, Catalyst and members of the ad hoc committee of noteholders provide US\$500 million in debtor-in-possession financing (50 percent by Catalyst and 50 percent by the noteholders). Creditors of Pacific were offered an approximately 58 percent stake in the restructured company under the Creditor/Catalyst plan. Pursuant to the Creditor/Catalyst Plan, Pacific received the required funding to continue operations, employees were able to retain their positions, and local suppliers and communities continued to benefit from ongoing operations at the company. The Creditor/Catalyst Plan represents the most significant CCAA restructuring plan to be recognized in Colombia to date.

Pacific emerged from its recapitalization with a renewed strategic focus, positive cash flow, a strong balance sheet, and significantly reduced payables. Pacific announced a new Board comprised of globally leading independent directors and relisted the company's shares on the Toronto Stock Exchange under the symbol TSX:PEN.

As a result of the Creditor/Catalyst Plan, and the significant involvement and guidance of Catalyst in the operation of the business since the implementation of the Creditor/Catalyst Plan, Pacific has:

- Reduced G&A and overhead costs in half from an annual run rate of \$140 million to \$70 million
- Increased production from 69,000 boe/d to 75,000 boe/d
- Reduced accounts payable and accrued liabilities by over 50 percent from the end of 2015 to the end of 2016
- Improved cash position approximately \$90 million beyond expectations by actively managing government receivables and commitments; \$140 million of exploration commitments have been eliminated while another \$57 million have been favorably re-allocated

After listing on the Toronto Stock Exchange, Pacific shareholders were provided with liquidity opportunities for their new value enhanced asset. Catalyst achieved a gain on its investment representing over 2.5x invested capital, including interest received from the DIP financing. The restructuring has helped shareholders, debtholders, and employees by rebuilding Pacific into a successful, low-cost oil and gas producer and helped local communities to benefit from the company's business activities.