

# Bonavista Energy Corp. Announces Recapitalization Transaction

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Calgary, June 19, 2020 - [Bonavista Energy Corp.](#) (TSX: BNP) ("Bonavista" or the "Company") announced today a proposed recapitalization transaction (the "Recapitalization Transaction") designed to balance the capital structure and strengthen the Company's overall financial position. The Recapitalization Transaction would, among other things, reduce the Company's total outstanding debt by approximately \$482.6 million (representing 56% of the Company's current outstanding debt) and reduce cash interest payments by approximately \$16 million annually (representing 43% of the Company's current annual cash interest payments).

The Recapitalization Transaction, among other things, involves:

- exchanging all of the Company's outstanding Senior Notes (as defined below) for a combination of (i) new U.S. dollar denominated 8.00% second lien notes due 2025 (the "New Second Lien Notes") in an aggregate principal amount equal to \$241.18 million converted into U.S. Dollars at the USD/CAD exchange rate posted by the Bank of Canada for the date that is three business days prior to the effective date of the Recapitalization Transaction (the "Exchange Rate"); (ii) new U.S. dollar denominated 10.00% unsecured subordinate convertible PIK notes due 2035 (the "New Convertible PIK Notes") in an aggregate principal amount equal to \$120.59 million converted into U.S. Dollars at the Exchange Rate; and (iii) new common shares of the Company (the "New Common Shares") equal to approximately 89.7% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis;
- entering into a \$150 million three year revolving covenant-based first secured credit agreement (the "New First Lien Credit Agreement") with the existing lenders (the "Existing Lenders") under the Company's existing amended and restated credit agreement among the Company, Canadian Imperial Bank of Commerce, as administrative agent (the "Existing Agent") and the Existing Lenders (the "Existing Credit Agreement") and the settlement and satisfaction of all obligations existing under the Existing Credit Agreement;
- Existing Lenders receiving (i) New Second Lien Notes in an aggregate principal amount equal to \$8.82 million converted into U.S. Dollars at the Exchange Rate; (ii) New Convertible PIK Notes in an aggregate principal amount equal to \$4.41 million converted into U.S. Dollars at the Exchange Rate; and (iii) New Common Shares equal to approximately 3.3% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis;
- all existing holders (the "Existing Shareholders") of the common shares of the Company (the "Common Shares") and exchangeable shares of the Company (the "Exchangeable Shares", and together with the Common Shares, the "Existing Shares"), will, pursuant to the terms of the Plan of Arrangement, either:

(i) retain their Existing Shares, subject to, among other things, the Share Exchange (as defined below) and the Share Consolidation (as defined below), such that Existing Shareholders will own approximately 7% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis; or

(ii) other than G2S2 Capital Inc. ("G2S2"), a company controlled by George Armoyan, a director and 16% shareholder of Bonavista, exchange their Existing Shares for \$0.05 in cash for each pre-Share Consolidation Common Share to be paid by G2S2, with such exchanged Existing Shares transferred to G2S2 (which will then own approximately 7% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis),

with Existing Shareholders to be given a vote in respect of these alternatives and all Existing Shareholders either retaining their Existing Shares or receiving cash (other than G2S2 in the case of cash) depending on the voting results; and

- the Company is required to have the post-Share Consolidation Common Shares delisted from the Toronto Stock Exchange ("TSX") in connection with the closing of the Recapitalization Transaction and the delisting is a condition of the Senior Noteholders (as defined below) to the completion of the Recapitalization Transaction.

In connection with the Recapitalization Transaction, the Company has entered into support agreements (the "Support Agreements") with holders of 100% of the Senior Notes (the "Consenting Noteholders") and holders of approximately 21% of the Existing Shares (the "Supporting Shareholders"). Pursuant to the Support Agreements, the Consenting Noteholders and Supporting Shareholders have, among other things, agreed to support the Recapitalization Transaction. The Company has also entered into an agreement (the "Existing Lender Accommodation and Settlement Agreement") with the Existing Lenders and the Existing Agent, pursuant to which the Existing Lenders and the Existing Agent have, among other things, agreed to support the Recapitalization Transaction.

The Company has also entered into an amended and restated forbearance agreement (the "Amended and Restated Forbearance Agreement") with the Existing Lenders and the Existing Agent in connection with the Recapitalization Transaction, pursuant to which the Existing Lenders and the Existing Agent have, among other things, agreed to waive certain potential events of default resulting from the commencement of the CBCA Proceedings (as defined below).

The Recapitalization Transaction will be implemented by way of a plan of arrangement (a "Plan of Arrangement") under the Canada Business Corporations Act (the "CBCA"), subject to the approval of the Court of Queen's Bench of Alberta (the "Court"), and the Existing Lender Accommodation and Settlement Agreement. The Company expects the Recapitalization Transaction will be completed in early to mid-August, 2020.

The proposed Recapitalization Transaction includes the following key elements:

#### Senior Notes

- the Company's (i) 4.37% Notes due November 2, 2020; (ii) 4.25% Notes due October 25, 2021; (iii) 4.47% Notes due November 2, 2022; (iv) 3.68% Notes due May 23, 2023; (v) 4.09% Notes due May 23, 2023; (vi) 3.80% Notes due April 25, 2025; and (vii) 3.78% Notes due May 23, 2025 (collectively, the "Senior Notes") in the aggregate principal amount of USD\$565 million and \$20 million, plus \$19.4 million of accrued interest and an aggregate make-whole payment of \$57.4 million, will collectively be exchanged for:
  - New Second Lien Notes in an aggregate principal amount equal to \$241.18 million converted into U.S. Dollars at the Exchange Rate (the "Senior Noteholder New Second Lien Notes Pool");
  - New Convertible PIK Notes in an aggregate principal amount equal to \$120.59 million converted into U.S. Dollars at the Exchange Rate ("Senior Noteholder New Convertible PIK Notes Pool"); and
  - New Common Shares equal to approximately 89.7% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis ("Senior Noteholder New Common Share Pool");
- holders of Senior Notes (the "Senior Noteholders") will be entitled to receive their pro rata share of: (i) the Senior Noteholder New Second Lien Notes Pool, (ii) the Senior Noteholder New Convertible PIK Notes Pool, and (iii) the Senior Noteholder New Common Share Pool;

#### Existing Lenders

- each Existing Lender shall receive its pro rata share of: (i) New Second Lien Notes in an aggregate principal amount equal to \$8.82 million converted into U.S. Dollars at the Exchange Rate; (ii) New Convertible PIK Notes in an aggregate principal amount equal to \$4.41 million converted into U.S. Dollars at the Exchange Rate; and (iii) New Common Shares equal to 3.3% of the issued and outstanding Common Shares immediately following implementation of the Recapitalization Transaction, on a non-diluted basis;
- the Existing Credit Agreement shall be cancelled for no further consideration;
- the Company and the Existing Lenders shall enter into the New First Lien Credit Agreement;

#### New First Lien Credit Agreement

- the New First Lien Credit Agreement will establish a senior secured revolving credit facility of \$150 million (the "Credit Facility"), with the Existing Lenders and Existing Agent;
- the Credit Facility will contain a swing line facility in an amount not to exceed \$20 million;
- the Credit Facility has a revolving period of three years from the effective date of the Recapitalization Transaction (the "Effective Date");
- the New First Lien Credit Agreement provides for a first priority floating charge and security interest on all present and after-acquired real and personal property of the Company and each of guarantors thereto granted in favour of Canadian Imperial Bank of Commerce, as collateral agent;

#### New Second Lien Notes

- the New Second Lien Notes shall have a term of 5 years from the Effective Date and bear interest at a rate of 8.00% per annum, payable quarterly in arrears, in cash;
- the New Second Lien Notes will be secured by all present and after-acquired real and personal property of the Company and its subsidiaries, which security interest shall rank second only to the security securing the obligations under the New First Lien Credit Agreement;
- the New Second Lien Notes will be governed by a trust indenture to be entered into on the Effective Date by the Company and a trustee to be appointed;

#### New Convertible PIK Notes

- the New Convertible PIK Notes shall have a term of 15 years from the Effective Date (the "Maturity Date") and bear interest at a rate of 10.00% per annum, payable quarterly in cash (subject to the terms of the Credit Facility and the New Second Lien Notes). On each interest payment date, the Company may elect to capitalize such accrued interest (the "PIK Interest") by either, at the option of the holder, increasing the principal amount of the New Convertible PIK Notes held by a holder by an amount equal to such PIK Interest or issuing additional New Convertible PIK Notes to the holder in a principal amount equal to such PIK Interest;
- the New Convertible PIK Notes shall be direct and unsecured obligations of the Company which are subordinate to the New First Lien Credit Agreement and the New Second Lien Notes and will rank equally with one another;
- the New Convertible PIK Notes will be convertible at the holder's option into Common Shares at any time prior to the earlier of the Maturity Date and the business day immediately preceding the date fixed for redemption by the Company at a conversion price of \$3.50 per Common Share, subject to standard anti-dilution adjustments;
- holders of New Convertible PIK Notes shall vote, through special voting shares, with the holders of Common Shares on an as-converted basis on all matters;
- the New Convertible PIK Notes will be governed by a trust indenture to be entered into on the Effective Date by the Company and a trustee to be appointed;



## Existing Shareholders

- Existing Shareholders will, pursuant to the terms of the Plan of Arrangement, either:
  - retain their Existing Shares, subject to, among other things, (i) the exchange of the Exchangeable Shares for Common Shares on the basis of 1.51204 Common Shares for every one Exchangeable Share (the "Share Exchange"); and (ii) a share consolidation of one Common Share in exchange for approximately 58.98 existing Common Shares to be implemented as part of the Recapitalization Transaction (the "Share Consolidation"), such that Existing Shareholders will own approximately 7% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis; or
  - other than G2S2, exchange their Existing Shares for \$0.05 in cash for each pre-Share Consolidation Common Share to be paid by G2S2 (the "Cash Election Option");
- In order for all Existing Shareholders, other than G2S2, to receive cash for their existing Shares under the Plan of Arrangement pursuant to the Cash Election Option, the resolution approving the Cash Election Option (the "Shareholders' Cash Arrangement Resolution") must be passed, with or without variation, at the Shareholders' Meeting (as defined below) by an affirmative vote of: (i) at least two-thirds (66 2/3%) of the votes cast in respect of the Shareholders' Cash Arrangement Resolution at the Shareholders' Meeting in person or by proxy by the Existing Shareholders; and (ii) a simple majority of the votes cast by Existing Shareholders present in person or represented by proxy at the Shareholders' Meeting excluding the votes required to be excluded for majority of the minority approval at the Shareholders' Meeting pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions;
- If the Shareholders' Cash Arrangement Resolution is passed, then all of the Existing Shareholders, other than G2S2, shall exchange their Existing Shares for \$0.05 in cash for each pre-Share Consolidation Common Share to be paid by G2S2, with such exchanged Existing Shares transferred to G2S2 (which will then own approximately 7% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis); If the Shareholders' Cash Arrangement Resolution is not passed, then upon the completion of the Recapitalization Transaction the Existing Shareholders shall retain their Existing Shares, subject to, among other things, the Share Exchange and the Share Consolidation, such that Existing Shareholders will own approximately 7% of the Common Shares outstanding immediately following implementation of the Recapitalization Transaction, on a non-diluted basis;

## Other Key Terms

- prior to the implementation of the Plan of Arrangement, Bonavista will continue from the Business Corporations Act (Alberta) (the "ABCA") to the CBCA and then, subject to the discretion of the board of directors of the Company (the "Board of Directors"), expects to continue back to the ABCA following the Effective Date;
- the Company will continue to satisfy its obligations to employees, suppliers, customers and governmental authorities in the ordinary course of business;
- the composition and size of the Board of Directors on the Effective Date shall be acceptable to the Consenting Noteholders holding not less than 66 2/3% of the aggregate principal amount of the Senior Notes held by all Consenting Noteholders (the "Super Majority Consenting Noteholders"); and
- subject to the satisfaction or waiver of applicable conditions, the Company expects to complete the Recapitalization Transaction in early to mid-August, 2020.

In summary, pursuant to the proposed Recapitalization Transaction, the Senior Noteholders, Existing Shareholders and Existing Lenders would be issued, or would retain, as applicable, approximately the amount of New Second Lien Notes, New Convertible PIK Notes and/or the percentage of Common Shares outstanding immediately following implementation of the Recapitalization Transaction as follows:

	Pro Forma New Second Lien Notes	Pro Forma New Convertible PIK Notes	Pro Forma Common Shares
Senior Noteholders	\$241.18 million	\$120.59 million	89.7%
Existing Lenders	\$8.82 million	\$4.41 million	3.3%
Existing Shareholders	\$250 million	\$250 million	100%

Existing Shareholders' Recapitalization Transaction at the Company's debt obligations upon implementation of the Recapitalization Transaction would be as follows:

	Current Debt (\$mm)	Pro Forma Debt (\$mm)
Existing Credit Facility	\$32.5	n/a
Senior Notes	\$888.4	n/a
New First Lien Credit Facility	n/a	\$6
New Convertible PIK Notes	n/a	\$250
New Second Lien Notes	n/a	\$125
Total	\$920.9	\$381

#### Additional Information About the Recapitalization Transaction

Bonavista, overseen by an executive committee of the Board of Directors, with the assistance of the Company's legal and financial advisors, and in consultation with key stakeholders, conducted a review of potential strategic alternatives available to the Company to address its outstanding debt and strengthen its overall financial position and ability to continue as a going concern. The Company has carefully considered, among other things, its overall capital structure, its debt levels, upcoming maturities and cash interest payments, and the challenging industry dynamics and weakened commodity prices throughout its review of potential alternatives. The terms of the proposed Recapitalization Transaction were assessed in great detail as they pertain to the Company's goals of balancing its capital structure and improving financial flexibility and viability.

FTI Capital Advisors, LLC ("FTI"), an independent financial advisor to the Board of Directors, has provided opinions to the Board of Directors that: (i) the Senior Noteholders and the Existing Shareholders would be in a better financial position, respectively, under the Recapitalization Transaction than if the Company were liquidated as, in each case, the estimated aggregate value of the consideration made available to Senior Noteholders and Existing Shareholders, respectively, pursuant to the Recapitalization Transaction would exceed the estimated value the Senior Noteholders and Existing Shareholders would, in the opinion of FTI, receive in a liquidation, respectively; and (ii) the Recapitalization Transaction is fair, from a financial point of view, to the Company.

Following the Company's review and consultation process, and after careful consideration and based on a number of factors, including the opinions of FTI, legal advice from the Company's counsel, financial advice from the Company's financial advisor, the facts and circumstances facing the Company and the terms of the Recapitalization Transaction, the voting members of the Board of Directors unanimously determined that the Recapitalization Transaction is the best alternative available to the Company and is in the best interests of the Company and its stakeholders, and unanimously recommends that Senior Noteholders and Existing Shareholders support and vote in favour of the Recapitalization Transaction. Pursuant to the Support Agreement entered into with Consenting Noteholders, the Board of Directors retains the ability to accept a superior proposal if such proposal would provide the Senior Noteholders with consideration for their Senior Notes greater and superior in both form and value to that payable to them under the Plan of Arrangement.

#### Meetings, Court Approval and Implementation

The Company will today commence proceedings under the CBCA (the "CBCA Proceedings") and seek an interim order (the "Interim Order") from the Court authorizing the Company to, among other things, hold separate meetings of its Senior Noteholders (the "Senior Noteholders Meeting") and its Existing Shareholders (the "Shareholders' Meeting" and together with the Senior Noteholders' Meeting, the "Meetings") in respect of the Plan of Arrangement and certain related matters on July 30, 2020. The Company has cancelled its previously announced annual meeting of shareholders scheduled for June 25,

2020 and will instead be holding its annual meeting concurrently with the Shareholders' Meeting. The record date for voting at the Meetings and additional information in respect of the Meetings will be made publicly available by the Company pending receipt of the Interim Order.

Completion of the Recapitalization Transaction pursuant to the Plan of Arrangement will be subject to, among other things, approval of the Plan of Arrangement by the requisite majorities of the Senior Noteholders and Existing Shareholders at the Meetings, such other approvals as may be required by the Court and/or the TSX, other applicable regulatory approvals, approval of the Plan of Arrangement by the Court, the execution of definitive documents and the satisfaction or waiver of applicable conditions precedent. The Company expects to complete the Recapitalization Transaction in early to mid-August, 2020, subject to all requisite approvals and the other conditions to completion of the Recapitalization Transaction being obtained, satisfied or waived. Upon implementation, the Plan of Arrangement will bind all Senior Noteholders and Existing Shareholders of the Company.

As part of the Court approval of the Plan of Arrangement, the Company expects to seek a creditor forbearance from the exercise of right and remedies with respect to (a) any and all defaults resulting from the commencement of the CBCA Proceedings or the steps or transactions related to the CBCA Proceedings or Recapitalization Transaction, and (b) third party change of control provisions that may be triggered by the implementation of the Recapitalization Transaction.

#### Additional Information and Materials

The transaction term sheets in respect of the Recapitalization Transaction, the forms of the Support Agreements, the Existing Lender Accommodation and Settlement Agreement and the Amended and Restated Forbearance Agreement (subject to redactions for certain confidential and/or commercially sensitive information contained in such agreements) will be filed by Bonavista on SEDAR ([www.sedar.com](http://www.sedar.com)) and/or Bonavista's website ([www.bonavistaenergy.com](http://www.bonavistaenergy.com)). Additional information and key dates in connection with the implementation of the Recapitalization Transaction, including with respect to the CBCA Proceedings, will also be made publicly available by the Company.

The Company's legal advisor in connection with the Recapitalization Transaction is Bennett Jones LLP and its financial advisor is FTI Consulting, Inc.

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For further information, please contact:

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#### FORWARD LOOKING INFORMATION:

Certain information contained in this press release may contain forward looking statements within the meaning of applicable securities laws. The use of any of the words "continue", "plan", "propose", "would", "will", "believe", "expect", "position", "anticipate", "improve", "enhance" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this document contains forward-looking statements concerning: key terms of the Recapitalization Transaction and the effect of its implementation on the Senior Noteholders, the Existing Lenders, the Existing Agent and the Existing Shareholders and the Company; stakeholder support for the Recapitalization Transaction; the holding and timing of, and matters to be considered at the Meetings as well as with respect to voting at such Meetings; the Company's intention to reduce its debt and annual interest payments through the implementation of the Recapitalization Transaction pursuant to the Plan of Arrangement; the Company's intention to realign its

capital structure and the timing thereof; the capital structure of the Company following the implementation of the Recapitalization Transaction; the delisting of the Common Shares from the TSX; the Company's continuance under the CBCA; the Company's commencement of the CBCA Proceedings in respect of the Plan of Arrangement and the relief to be sought in such proceedings; the Company's receipt of the Interim Order and the timing of receipt of the Interim Order; the public posting of materials and information related to the Recapitalization Transaction and the anticipated commencement of CBCA Proceedings; the size and composition of the Board of Directors upon the implementation of the Recapitalization Transaction; changes to governance matters which may be implemented upon the agreement of the Company and Super Majority Consenting Noteholders; the expected process for and timing of implementing the Recapitalization Transaction; and the effect of the Recapitalization Transaction.

Forward-looking statements necessarily involve risks, including, without limitation, risks associated with the ability of the Company to significantly reduce its debt and annual interest payments and the terms of any such reduction; the ability of the Company to realign its capital structure and the timing thereof; the ability of the Company to receive all necessary regulatory, court, third party and stakeholder approvals in order to complete the Recapitalization Transaction; the ability of the Company to achieve its financial goals including with respect to the nature of any agreement with its debtholders; the ability of the Company to operate in the ordinary course during the CBCA 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 ability of the Company to continue to realize its assets and discharge its liabilities and commitments; the Company's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt 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 general economic, financial, market and political conditions impacting the industry and markets in which the Company operates; the ability of the Company to sustain or increase profitability, fund its operations with existing capital and/or raise additional capital to fund its operations; the ability of the Company to generate sufficient cash flow from operations; the impact of competition; the ability of the Company to obtain and retain qualified staff, equipment and services in a timely and efficient manner (particularly in light of the Company's efforts to restructure its debt obligations); and the ability of the Company to retain members of the senior management team, including but not limited to, the officers of the Company.

Events or circumstances may cause actual results to differ materially from those predicted, as a result of the risk factors set out and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Bonavista. In addition, forward looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect and which have been used to develop such statements and information in order to provide stakeholders with a more complete perspective on Bonavista's future operations. Such information may prove to be incorrect and readers are cautioned that the information may not be appropriate for other purposes. Although the Company believes that the expectations reflected in such forward looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because the Company can give no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). Furthermore, the forward looking statements contained herein are made as at the date hereof and Bonavista does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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