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PES Holdings, LLC Enters Into Restructuring Support Agreement to Create Sustainable Financial Foundation

Agreement Provides $260 Million in New Financing From Term B Lenders and Owners

PES Expects to Complete Recapitalization Through Prepackaged Court Process While Continuing Operations Without Interruption

Employee Pay and Benefits to Continue as Usual and Vendors to be Paid in Ordinary Course of Business Before and During Court Process

Philadelphia, PA. (January 22, 2018) – PES Holdings, LLC ("PES Holdings" or the "Company"), a subsidiary of Philadelphia Energy Solutions LLC ("PES LLC"), announced today that it has entered into a Restructuring Support Agreement ("RSA" or the "Agreement") with the holders of 100% of the Company's outstanding Term A debt and more than 90% of the Company's outstanding Term B debt.

In addition to restructuring existing debt and receiving relief from current debt service obligations, the Company has secured access to $260 million in new financing comprising $120 million in debtor-in-possession and exit financing, $75 million in additional capital from Sunoco Logistics Partners Operations L.P. ("Sunoco Logistics") and a $65 million equity investment from existing equity holders, led by The Carlyle Group along with management and other partners. The recapitalized Company will have a stronger financial foundation to support operations amid continuing pressure on refining margins and soaring costs for merchant refiners associated with the purchase of Renewable Identification Numbers ("RINs") to satisfy requirements under the Renewable Fuel Standard ("RFS") established by the Environmental Protection Agency ("EPA").

The Agreement provides that the recapitalization will be completed pursuant to a proposed prepackaged restructuring (the "Restructuring") through the filing of a Chapter 11 Plan of Reorganization (the "Plan") for PES Holdings and affiliated subsidiaries. The Company has already completed a solicitation of votes for the proposed Plan, has received the requisite voting approvals and yesterday filed petitions to commence the restructuring process. During this process, PES will continue to operate without interruption. The Company expects to complete the recapitalization process in the first quarter of 2018 and to restructure more than $100 million of existing debt while securing access to new capital.

"Today's agreement positions PES well for the future with a sustainable capital structure and additional liquidity, ensuring we can continue to provide critical refined product supply and energy security to the Northeast United States without disruption and with no impact on our employees, suppliers and customers. In order to complete this process without delay, we will continue to work with the government to address the broken RFS system that is harming smaller, independent merchant refiners like PES. This is a win for the region, the Commonwealth of Pennsylvania and the City of Philadelphia," said Greg Gatta, Chief Executive Officer of PES LLC.

The investments and improvements made by PES over the last five years, combined with the new and more sustainable financial foundation announced today, position PES to better-compete going forward. Since inception in 2012, PES and its owners have invested approximately $900 million of capital to improve the Philadelphia refining complex and have expanded its employee base by 240 individuals to employ approximately 1,100 people including approximately 650 U.S. Steelworkers. As a result, PES has achieved first quartile operational availability, a cost-per-barrel that is among the lowest in its peer group, steady improvement in environmental performance, consistent delivery of capital projects on-time and on-budget and a safety record that includes a recordable incident rate below the industry average.

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However, the skyrocketing costs of RINs coupled with an extended downturn in refining margins have made a financial restructuring necessary. In 2017 alone, PES' RINs expense associated with RFS compliance totaled approximately $218 million, representing more than twice the Company's payroll, nearly one and one-half times its average annual capital expenditures, approximately four times its interest expense and is now its single largest expense after crude oil.

With the $260 million in additional capital to support operations, the Company anticipates that there will be no interruption to operations, and customer and supplier agreements will remain in effect. The Company will continue to pay employees and provide employee benefits as usual, and to pay vendors in full and in the ordinary course of business, pending customary Court approvals and the continuation of customary trade terms.

The Collective Bargaining Agreement between Philadelphia Energy Solutions Refining and Marketing LLC and the U.S. Steelworkers, as well as work agreements with various building trade unions, will all remain in place.

Significant elements of the Plan as contemplated by the RSA and subject to the terms and conditions of the RSA, under which Term B lenders will receive an approximately 75% stake in the reorganized company, include:

- Approximately $260 million in combined additional financing provided by the Company's Term B lenders, Sunoco Logistics and existing owners led by The Carlyle Group;
- Equitization of $107 million in Term B loan claims and restructuring of the remaining $417 million of outstanding Term B loan claims;
- Cash pay down of $15 million of Term A debt and restructuring of the remainder of Term A debt in exchange for debt in the recapitalized Company; and
- Payment in full of undisputed vendor and other trade claims in the ordinary course of business for vendors agreeing to maintain customary trade terms.

The Company has also entered into an intermediation agreement to ensure continued access to crude oil supply throughout the Chapter 11 process.

Following the completion of the recapitalization process, existing equity holders will have an approximately 25% ownership stake in PES Holdings.

Continued Mr. Gatta, "I thank our lenders for their support throughout this process and Carlyle and Energy Transfer Partners for their steadfast commitment to the success of PES since 2012. We also greatly appreciate the continued loyalty and hard work of our talented employees and thank our customers and suppliers for their continued support."

The Company's legal advisor in connection with the restructuring is Kirkland & Ellis LLP. Alvarez & Marsal serves as its restructuring advisor. PJT Partners is the Company's investment banker.

<u>About PES Holdings, LLC</u>

PES Holdings, LLC is the parent company of Philadelphia Energy Solutions Refining and Marketing (PESRM). PESRM owns and operates the Point Breeze and Girard Point oil refineries located on an integrated, 1,300-acre refining complex in

Philadelphia. The 335,000 barrels per day of combined capacity makes PESRM the largest refining complex on the Eastern Seaboard.

Source: Philadelphia Energy Solutions

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