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January 23, 2020

RE: Committee Recommendation On Vote To Reject Joint Chapter 11 Plan Of Reorganization

To Holders of Class 5 General Unsecured Claims:

This firm is counsel to the Official Committee of Unsecured Creditors (the “**Committee**”) appointed in the Chapter 11 cases of PES Holdings, LLC and certain of its affiliated entities (collectively, the “**Debtors**”). The Committee was appointed on August 1, 2019 by the Office of the United States Trustee (an arm of the United States Department of Justice) to represent the interests of all unsecured creditors, including you as a Holder of Class 5 General Unsecured Claims, in the Debtors’ Chapter 11 cases. The Committee has, since appointment, dedicated substantial time and effort understanding the circumstances underlying the Chapter 11 cases, interfacing with PES and other stakeholders regarding potential opportunities for the Debtors to exit bankruptcy, and representing the interests of unsecured creditors before the Bankruptcy Court.

In December 2019, you received a solicitation package that contained the Debtors’ *First Amended Joint Chapter 11 Plan of PES Holdings, Inc. and its Affiliated Debtors* [D.I. 661] (the “**Plan**”) and a ballot to vote to accept or reject the Plan. Also included in the package was a letter from the Committee requesting you wait to vote on the Plan until you receive further information and an additional letter (this letter) from the Committee with its recommendation on how to vote.

**THE COMMITTEE’S RECOMMENDATION TO YOU IS TO VOTE TO
REJECT (VOTE AGAINST) THE PLAN.**

**THE COMMITTEE NEEDS YOUR SUPPORT TO SEEK BETTER TREATMENT
FOR CLASS 5 GENERAL UNSECURED CLAIMS.**

**Please contact the Committee’s counsel at Brown Rudnick LLP with any
questions regarding our recommendation or the Plan:**

Steven Levine (617-856-8587; SLevine@brownrudnick.com)

Max Schlan (212-209-4969; MSchlan@brownrudnick.com)

YOUR VOTE IS IMPORTANT. Without your vote to reject the Plan, the Committee may be unable to advocate for a more beneficial recovery to Holders of Class 5 General Unsecured Claims such as yourself. Even if certain Holders of Class 5 General Unsecured Claims support and vote to accept the Plan, Class 5 would reject the Plan if more holders of general unsecured claims vote to reject the Plan than accept the Plan. Accordingly, every vote counts.

THE PLAN DOES NOT OFFER THE HIGHEST CASH CONSIDERATION FOR THE DEBTORS ASSETS. As set forth in the additional information you received with this letter, substantially all of the Debtors’ assets will be sold through the Plan to an affiliate of Hilco for a cash consideration of \$240 million as determined through an auction held on January 17, 2020. At the



auction, another bidder, Industrial Realty Group, LLC (“**IRG**”), made the highest bid with a cash consideration of \$265 million. Even so, the Debtors determined Hilco’s bid the best offer.

THE PLAN DOES NOT CREATE AN OPPORTUNITY FOR RESTART OF THE REFINING COMPLEX. In addition to not providing the highest cash consideration, Hilco contemplates an alternative use for the Debtors’ assets that would permanently shut down the Refining Complex. The contemplated use provides little to no potential value, absent cash consideration, for Holders of Class 5 General Unsecured Claims through the assumption and assignment of existing contracts and leases, bringing laid off employees back to work, and generally providing a business partner that many general unsecured creditors have had for decades.

THE PLAN DOES NOT RESOLVE ANY ISSUES SURROUNDING INSURANCE PROCEEDS. Due to the level of cash consideration of Hilco’s bid for the Debtors’ assets, all creditors, including Holders of Class 5 General Unsecured Claims, are more reliant on the recovery of insurance proceeds to satisfy their claims. At this time, there is active litigation occurring to determine which creditor body is entitled to the insurance proceeds. Additionally, the Debtors’ insurers have made no indication that they intend to pay any more than the already-advanced \$65 million in insurance proceeds of the \$1.25 billion included in the policy.

PLAN DISTRIBUTIONS COULD PROVIDE THE DEBTORS’ EXECUTIVES WITH MILLIONS OF DOLLARS IN BONUS COMPENSATION. As part of the Plan, the Debtors seek the approval of a Key Employee Incentive Plan (“**KEIP**”). The KEIP provides bonus compensation of potentially tens of millions of dollars to eight of the Debtors’ executives even if Holders of Class 5 General Unsecured Claims receive no distribution on their claims under the Plan. This compensation is in addition to the approximately \$6 million the same executives received just before the debtors filed these chapter 11 cases. The Committee does not believe that either the prepetition payments or KEIP payments are appropriate under applicable law, especially given the poor treatment the Plan reserves for Holders of Class 5 General Unsecured Claims.

ULTIMATELY, THE PLAN DOES NOT PROVIDE THE BEST OPPORTUNITY FOR A GLOBAL RESOLUTION OF THESE CHAPTER 11 CASES. In order to prevent years of potential litigation and lost value to the Debtors’ estates, a global resolution amongst all the major constituencies should be reached. This Plan does not, in the Committee’s opinion, represent a good faith effort to achieve a global resolution. In the Committee’s opinion, the Plan does not reserve distributions for Holders of Class 5 General Unsecured Claims that are appropriate under the law and facts of these chapter 11 cases.

THE COMMITTEE BELIEVES YOU CAN DO BETTER. Rejection of the Plan by Holders of Class 5 General Unsecured Claims will impose on the Debtors a higher evidentiary burden for the Plan to achieve Bankruptcy Court approval. Rejection of the Plan should, in turn, help bring about a more appropriate resolution of the chapter 11 cases.



*For these reasons, the Committee urges Holders of Class 5 General Unsecured Claims vote to **REJECT** the Plan.*

Very truly yours,

BROWN RUDNICK LLP

By: */s/ Robert J. Stark* _____

Robert J. Stark

*Counsel to the Official Committee of
Unsecured Creditors of PES Holdings,
LLC, et al.*