

# news release

**HOVENSA L.L.C.**

**FOR IMMEDIATE RELEASE**

**HOVENSA Announces Agreement to Sell Terminal Assets and Restart Terminal Operations Under the Ownership of a Proven and Well-Capitalized Operator**

*Transaction to be Completed Through Voluntary Chapter 11 Process  
Designed to Maximize Creditor Recoveries*

St. Croix, U.S. Virgin Islands (September 14, 2015) – HOVENSA has reached an agreement to sell its terminal assets for \$184 million to Limetree Bay Holdings, LLC (“Limetree Bay”). The buyer is an affiliate of ArcLight Capital Partners, LLC, a Boston-based private equity firm focused on energy infrastructure investments, affiliates of which currently own companies operating in the terminaling arena. The sale would enable the restart of HOVENSA’s storage terminal operations, providing jobs and tax revenue in the U.S. Virgin Islands.

To complete an orderly sales process, HOVENSA will shortly commence a voluntary Chapter 11 case in the U.S. Bankruptcy Court for the District of the Virgin Islands. The Chapter 11 case is expected to result in a sale of HOVENSA’s terminal assets through a court-supervised process as well as a Chapter 11 plan that specifies what will happen to the remaining assets and how liabilities will be settled. The process, which is unavoidable given HOVENSA’s financial condition, is designed to maximize the value of HOVENSA’s terminal assets through a sale and expedite creditor recoveries, including the \$40 million owed to the U.S.V.I. as part of the settlement of the claim brought against HOVENSA by the U.S.V.I. for damages to the natural resources. Proceeds from the sale will be used to repay HOVENSA’s creditors, and the U.S.V.I. government, as the senior secured lender, will be the first creditor paid.

Other parties will have the opportunity to submit competing offers for HOVENSA’s assets as part of the Chapter 11 Section 363 sale process, and a federal judge will ensure that the “highest and best” offer is approved. The agreement with Limetree Bay is what is called a “stalking horse bid,” and any competing buyer would have to improve upon the current sale agreement using court-approved bid procedures in order to be selected. A bidder will be permitted to propose a purchase of the terminal business or a purchase of the entire HOVENSA business. HOVENSA has met and is committed to continuing to meet all its environmental obligations under applicable law.

The successful sale will also require the negotiation of an operating agreement with U.S.V.I. Governor Kenneth Mapp, approval of the operating agreement by the U.S.V.I. Senate and bankruptcy court approval. HOVENSA hopes that an operating agreement will be reached and approved on a timely basis that allows this sale to be completed.

Today's announcement follows a comprehensive sale process undertaken by HOVENSA and its owners. In January 2012, HOVENSA owners announced that, following three years of losses totaling ~\$1.3 billion, it would no longer operate as a refinery. HOVENSA explored all available options to avoid this outcome, but severe financial losses left no other choice.

The owners recommended that HOVENSA continue as an oil storage terminal; however, then-U.S.V.I. Governor John P. de Jongh, Jr. required the owners to conduct a sale process that would allow HOVENSA to continue as a working refinery. After lengthy negotiations with Governor de Jongh, HOVENSA's owners retained Lazard in December 2013 for this purpose. The Government approved retention of Lazard and was kept fully informed throughout the sale process.

Following an extensive effort targeting 142 potential buyers, Atlantic Basin Refining (ABR) was the only entity to submit a final round bid for HOVENSA in 2014. In December 2014, the U.S.V.I. Senate did not approve an operating agreement that was negotiated by the former Governor with ABR, which was a requirement to complete the transaction, so the sale could not proceed.

Consequently, HOVENSA and its owners planned and executed shutdown activities, and the terminal ceased providing customer storage in February 2015. The truck rack remains open until the remaining fuel is exhausted.

HOVENSA's owners met with then newly-elected Governor Mapp in January 2015 to brief him on HOVENSA's prior attempts to sell the facility as a refinery and current financial position and to understand his expectations. Governor Mapp indicated that decisions regarding the sale process would be left to HOVENSA's owners. On that basis, HOVENSA's owners re-engaged Lazard to conduct a second sale process, this time to market HOVENSA's assets for use as a terminal. Approximately 34 potential buyers were contacted, and Limetree Bay's bid was deemed to be the best offer at the close of this process. HOVENSA and its owners are hopeful that the sale can be successfully and efficiently completed in the court process that follows. The search has taken longer than expected, and HOVENSA does not have sufficient liquidity to complete the sale except through a Chapter 11 Section 363 process.

HOVENSA and its owners firmly believe that a sale conducted through the Chapter 11 Section 363 sale process is the best way to maximize the value of HOVENSA's assets to satisfy its obligations to the U.S.V.I. while enabling the terminal to operate and again be an employer to Virgin Islanders and an economic contributor to the Territory.

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