Arrow Bidco, LLC Announces Exchange Offer and Consent Solicitation in respect of its Senior Secured Notes

9/29/2023

THE WOODLANDS, Texas, Sept. 29, 2023 /PRNewswire/ -- Arrow Bidco, LLC (the "Issuer"), a Delaware limited liability company and an indirect subsidiary of Target Hospitality Corp. ("Target Hospitality") (NASDAQ: TH), today announced that it has commenced (i) an offer to exchange (the "Exchange Offer") any and all of its outstanding 9.50% Senior Secured Notes due 2024 (the "Existing Notes") for cash and for the Issuer's new 10.75% Senior Secured Notes due 2025 (the "New Notes") and (ii) a solicitation of consents to certain proposed amendments to the indenture governing the Existing Notes (the "Consent Solicitation"), in each case, upon the terms and subject to the conditions described in the Confidential Offering Memorandum and Consent Solicitation Statement, dated September 29, 2023, (the "Offering Memorandum"). The primary purpose of the Exchange Offer is to improve the Issuer's maturity profile by extending the maturity date of the indebtedness represented by the Existing Notes from 2024 to 2025.

The following table summarizes certain terms of the Exchange Offer:

Title of Security	CUSIP Number/ISIN	Principal Amount Outstanding	Exchange Consideration(1)	Early Exchange Premium(1)	Total Exchange Consideration(1)(2)
9.50% Senior Secured Notes due 2024	CUSIP: 042728AA3 (144A) / U0424NAA2 (Reg. S) ISIN: US042728AA35 (144A) / USU0424NAA29 (Reg. S)	$209,500,000	$15 in cash and $950 in principal amount of New Notes	$50 in principal amount of New Notes	$15 in cash and $1,000 in principal amount of New Notes

(1) For each $1,000 principal amount of Existing Notes.
(2) Includes Early Exchange Premium.

The New Notes will mature on June 15, 2025; provided that if any Existing Notes remain outstanding on March 15, 2024, then the New Notes will mature on March 15, 2024 at a make-whole price. The New Notes will bear interest at a rate per annum equal to 10.75%.

Prior to September 15, 2024, the New Notes will be redeemable at the Issuer's option at a make-whole price. On and after September 15, 2024, the New Notes will be redeemable at the Issuer's option at the redemption prices listed in the Offering Memorandum.

The New Notes will initially be jointly and severally, irrevocably and unconditionally guaranteed by the same guarantors as the Existing Notes, including Topaz Holdings LLC ("Topaz Holdings") and each of the Issuer's direct and indirect, wholly-owned domestic subsidiaries, including newly-formed or acquired subsidiaries (collectively, the "Note Guarantors"). Target Hospitality will not be an issuer or a guarantor of the New Notes. The Note Guarantors guarantee, or are borrowers, as applicable, under the ABL Facility (as defined in the Offering Memorandum). The New Notes and the guarantees thereof will be senior secured indebtedness and will be pari passu in right of payment with all of the Issuer's and the Note Guarantors' respective existing and future senior indebtedness (except with respect to the guarantee by TLM Equipment, LLC, whose guarantee will be subordinated to its obligations under the ABL Facility), effectively subordinated to all of their respective existing and future first-priority lien indebtedness, including the ABL Facility, to the extent of the value of the collateral securing such indebtedness, and senior in right of payment to any of their respective existing and future subordinated indebtedness, as described in the Offering Memorandum. The New Notes and the related guarantees will be secured by a second-priority lien on all of the Issuer's and the Note Guarantors' collateral, on the terms described in the Offering Memorandum, in each case, subject to certain customary exceptions and permitted liens. **The New Notes will be (i) guaranteed by the same entities that guarantee the Existing Notes, (ii) secured by the same assets and on the same basis as the Existing Notes and (iii) issued under an indenture containing substantially the same covenants applicable to the Existing Notes; provided that the Existing Notes Indenture (as defined below) may be modified by the Consent Solicitation.**

The Exchange Offer and the Consent Solicitation will expire at 5:00 p.m., New York City time, on October 30, 2023, unless extended or earlier terminated (such date and time, as they may be extended, the "Expiration Date"). Eligible Holders (as defined below) must validly tender their Existing Notes at or prior to 5:00 p.m., New York City time, on October 13, 2023, unless extended (such date and time, as they may be extended, the "Early Exchange Date"), to be eligible to receive the "Total Exchange Consideration" (as set forth above), which will be payable in the forms described above and in the Offering Memorandum. Eligible Holders tendering Existing Notes after the Early Exchange Date and on or before the Expiration Date will only be eligible to receive the "Exchange Consideration" (as set forth above), which will equal the Total Exchange Consideration less the Early Exchange Premium.

In addition to the Total Exchange Consideration or Exchange Consideration, as applicable, Eligible Holders whose Existing Notes are accepted for exchange will receive a cash payment representing interest, if any, that has accrued from the most recent interest payment date in respect of the Existing Notes up to, but not including, the settlement date, which is expected to be November 1, 2023, unless extended (such date and time, as it may be extended, the "Settlement Date"), irrespective of whether the Existing Notes are tendered at or prior to the Early Exchange Date or the Expiration Date.

In conjunction with the Exchange Offer, the Issuer is soliciting consents (the "Consents") from Eligible Holders of Existing Notes to certain proposed amendments (the "Proposed Amendments") to the indenture, dated as of March 15, 2019 (as amended, supplemented or otherwise modified prior to the date of the Offering Memorandum, the "Existing Notes Indenture"), by and among the Issuer, the guarantors party thereto from time to time and Deutsche

Bank Trust Company Americas, as trustee and collateral agent, governing the Existing Notes. If Consents are received from holders of at least 50.1% of the outstanding principal amount of Existing Notes that are not affiliates of the Issuer, the Proposed Amendments will eliminate substantially all of the restrictive covenants contained in the Existing Notes Indenture and the Existing Notes, eliminate certain events of default, modify covenants regarding mergers and consolidations and modify or eliminate certain other provisions, including certain provisions relating to future guarantors and defeasance, contained in the Existing Notes Indenture and the Existing Notes. In addition, if Consents are received from holders of at least 66.67% of the outstanding principal amount of Existing Notes that are not affiliates of the Issuer, the Proposed Amendments will also release all of the collateral securing the Existing Notes. The Proposed Amendments will be set forth in a supplemental indenture to the Existing Notes Indenture, which will be executed and delivered on the Settlement Date.

Tenders of Existing Notes may be validly withdrawn and Consents may be revoked at any time at or prior to 5:00 p.m., New York City time, on October 13, 2023 unless extended by the Issuer (as it may be extended, the "Withdrawal Deadline"), but will thereafter be irrevocable, except in certain limited circumstances where additional withdrawal rights are required by law. Subject to applicable law, the Issuer may extend the Early Exchange Date or Expiration Date, with or without extending the Withdrawal Deadline. Tenders submitted in the Exchange Offer after the Withdrawal Deadline will be irrevocable except in the limited circumstances where additional withdrawal rights are required by law.

Holders may not tender their Existing Notes pursuant to the Exchange Offer without delivering a Consent with respect to such Existing Notes pursuant to the Consent Solicitation, and holders may not deliver their Consents pursuant to the Consent Solicitation without tendering the related Existing Notes pursuant to the Exchange Offer. If holders tender their Existing Notes pursuant to the Exchange Offer, they will be deemed to have given their Consent to the Proposed Amendments pursuant to the Consent Solicitation.

The Issuer may terminate the Exchange Offer and the Consent Solicitation if the conditions specified in the Offering Memorandum are not satisfied. Consummation of the Exchange Offer and the Consent Solicitation is subject to the satisfaction or waiver of certain conditions set forth in the Offering Memorandum. In the event of a termination, the Exchange Offer will not be consummated, the Proposed Amendments will not become effective, no Total Exchange Consideration or Exchange Consideration will be paid, and the Existing Notes tendered pursuant to the Exchange Offer will be promptly returned to the tendering holders. **The Exchange Offer is not conditioned on any minimum amount of Existing Notes being tendered for exchange or the completion of the Consent Solicitation.**

The Issuer reserves the right to extend, amend or terminate the Exchange Offer and the Consent Solicitation for any reason or for no reason at any time prior to the Expiration Date. The Issuer will not receive any cash proceeds from the Exchange Offer.

The Exchange Offer is being made only to holders of Existing Notes that have certified, by submitting an instruction to the clearing system, that they are either (i) "qualified institutional buyers" as defined in Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"), or (ii) are located outside the United States and are not "U.S. persons" as defined in Rule 902 under the Securities Act (such holders, "Eligible Holders"). Only Eligible Holders are authorized to receive or review the Offering Memorandum or to participate in the Exchange Offer. Non U.S.-persons may also be subject to additional eligibility criteria.

In connection with the Exchange Offer and the Consent Solicitation, the Issuer has begun discussions with the lenders party to the ABL Facility to negotiate certain amendments to the ABL Facility to increase the size of the aggregate revolver commitments, among other things, but we are currently unable to determine when such

amendments will be effective, if at all, and the definitive terms that will be applicable. The Exchange Offer and Consent Solicitation are not conditioned on the entry into any amendment to the ABL Facility.

Information Relating to the Exchange Offer and the Consent Solicitation

The complete terms and conditions of the Exchange Offer and the Consent Solicitation are set forth in the Offering Memorandum. The Offering Memorandum contains important information, and Eligible Holders are encouraged to read it in its entirety. The Offering Memorandum will only be distributed to Eligible Holders who complete and return an eligibility form confirming that they are either a "qualified institutional buyer" under Rule 144A or not a "U.S. person" under Regulation S under the Securities Act for purposes of applicable securities laws.

Holders of Existing Notes who desire to complete an eligibility form should either visit www.dfking.com/arrowbidco or request instructions by sending an e-mail to arrow@dfking.com or by calling D.F. King & Co., Inc., the information and exchange agent (the "Exchange Agent") for the Exchange Offer, at (toll-free) (866) 356-7813 (toll-free) or (banks and brokers) (212) 269-5550.

None of the Issuer, Target Hospitality, Topaz Holdings, their affiliates, their respective boards of directors and stockholders, the Exchange Agent or Deutsche Bank Trust Company Americas, as trustee and collateral agent for the Existing Notes and New Notes, are making any recommendation as to whether holders should tender any Existing Notes in response to the Exchange Offer and the Consent Solicitation. Holders must make their own decision as to whether to tender any of their Existing Notes, and, if so, the principal amount of Existing Notes to tender.

This press release is for informational purposes only and is neither an offer to buy nor a solicitation of an offer to sell any of the Existing Notes, the New Notes or any other securities. The Exchange Offer and the Consent Solicitation are not being made to holders of Existing Notes in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. The Exchange Offer and the Consent Solicitation are only being made pursuant to the Offering Memorandum. Eligible Holders are strongly encouraged to read the Offering Memorandum carefully because it will contain important information.

The New Notes have not been and will not be registered under the Securities Act or any other applicable securities laws and may not be offered or sold in the United States or to or for the account of any U.S. person absent registration or an applicable exemption from the registration requirements. Non U.S.-persons may also be subject to additional eligibility criteria. The New Notes have not been approved or disapproved by any regulatory authority, nor has any such authority passed upon the accuracy or adequacy of the Offering Memorandum.

Forward-Looking Statements

Certain statements made in this release are "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. When used in this press release, the words "estimates," "projected," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "may," "will," "should," "future," "propose" and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the Issuer's control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. More information about potential risks and uncertainties that could materially affect our business and results of

operations is included in the "Risk Factors" and "Forward-Looking Statements" sections of Target Hospitality Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, filed with the Securities and Exchange Commission ("SEC) on August 9, 2023 and Target Hospitality Corp.'s Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 10, 2023, as well as other risks and uncertainties specified in the "Risk Factors" section of the Offering Memorandum. You should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them publicly or to revise them in light of new information or future events.

About the Issuer

The Issuer is a Delaware limited liability company that provides workforce housing and hospitality solutions, as well as transportation and logistics services in the United States. It is a direct wholly-owned subsidiary of Topaz Holdings.

Investor Contacts:

Mark Schuck
(832) 702 – 8009
ir@targethospitality.com

View original content:https://www.prnewswire.com/news-releases/arrow-bidco-llc-announces-exchange-offer-and-consent-solicitation-in-respect-of-its-senior-secured-notes-301943487.html

SOURCE Target Hospitality