January 5, 2018

Legacy Reserves LP Announces Expanded Second Lien Term Loan and Increased Senior Notes Ownership

MIDLAND, Texas, Jan. 05, 2018 (GLOBE NEWSWIRE) -- Legacy Reserves LP ("Legacy") (NASDAQ:LGCY) today announced that it entered into additional transactions to reduce its total indebtedness and increase its financial flexibility.

On December 31, 2017, Legacy entered into a definitive agreement with certain funds managed by Fir Tree Partners ("Fir Tree") to acquire its entire holdings in Legacy's $550 million 6.625% Senior Notes due 2021 ("6.625% Notes"). Legacy purchased $187 million of the 6.625% Notes for a price of approximately $131 million. Pro forma for this repurchase, Legacy owns $304 million of the 6.625% Notes representing 55% of the total. Legacy also owns $67 million of the 8% Senior Notes due 2020 ("8% Notes"), representing 22% of the total. Legacy has not retired any of the 8% Notes or 6.625% Notes it has repurchased to date and, subject to certain restrictions, retains its voting rights under the corresponding indentures.

As part of the foregoing transactions, Legacy and certain funds managed by GSO Capital Partners LP (collectively, "GSO"), amended the 2nd Lien Term Loan including an increase in the amount of aggregate commitments from $300 million to $400 million, extending the availability of borrowings under the 2nd Lien Term Loan to October 25, 2019, relaxing the asset coverage test from 1.0x to 0.85x during 2018 and paying associated fees. Legacy funded the repurchase of the 6.625% Notes with its newly-amended 2nd Lien Term Loan. Legacy will have approximately $339 million drawn under the 2nd Lien Term Loan after the repurchase, leaving approximately $61 million of remaining availability. Separately, Legacy paid cash and issued new units to Fir Tree under a twelve-month Standstill and Voting Agreement, limiting their ability to acquire additional Legacy securities and agreeing to vote their units in accordance with the recommendation of the Board of Legacy's general partner and generally support Legacy's actions.

Paul T. Horne, Chairman of the Board, President and Chief Executive Officer of Legacy's general partner commented, "This opportunity to reduce total debt outstanding and gain meaningful voting control of our senior notes marks another great stride in improving Legacy's financial position in an otherwise difficult market. I want to thank the GSO team for their continued support of Legacy. We look forward to making further progress in 2018."

About Legacy Reserves LP

Legacy Reserves LP is a master limited partnership headquartered in Midland, Texas, focused on the acquisition and development of oil and natural gas properties primarily located in the Permian Basin, East Texas, Rocky Mountain and Mid-Continent regions of the United States. Additional information is available at www.LegacyLP.com.

Additional Information for Holders of Legacy Units

Although Legacy has suspended distributions to both the 8% Series A and Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (the "Preferred Units"), such distributions continue to accrue. Pursuant to the terms of Legacy's partnership agreement, Legacy is required to pay or set aside for payment all accrued but unpaid distributions with respect to the Preferred Units prior to or contemporaneously with making any distribution with respect to Legacy's units. Accruals of distributions on the Preferred Units are treated for tax purposes as guaranteed payments for the use of capital that will generally be taxable to the holders of such Preferred Units as ordinary income even in the absence of contemporaneous distributions.

In addition, Legacy's unitholders, just like unitholders of other master limited partnerships, are allocated taxable income irrespective of cash distributions paid. Because Legacy's unitholders are treated as partners that are allocated a share of Legacy's taxable income irrespective of the amount of cash, if any, distributed by Legacy, unitholders will be required to pay federal income taxes and, in some cases, state and local income taxes on their share of Legacy's taxable income, including its taxable income associated with cancellation of debt ("COD income") or a disposition of property by Legacy, even if they receive no cash distributions from Legacy. As of January 21, 2016, Legacy has suspended all cash distributions to unitholders and holders of the Preferred Units. Legacy may engage in transactions to de-lever the Partnership and manage its liquidity that may result in the allocation of income and gain to its unitholders without a corresponding cash distribution.

For example, during the year ended December 31, 2016, Legacy closed 26 divestitures generating net proceeds of $97.4 million, and Legacy may sell additional assets and use the proceeds to repay existing debt or fund capital expenditures, in which case Legacy's unitholders may be allocated taxable income and gain resulting from the sale, all or a portion of which may be subject to recapture rules and taxed as ordinary income rather than capital gain, without receiving a cash distribution. Further, Legacy may pursue other opportunities to reduce its existing debt, such as debt exchanges, debt repurchases, or modifications that would result in COD income being allocated to its unitholders as ordinary taxable income. The ultimate effect of any income allocations will depend on the unitholder's individual tax position with respect to that holder's units, including the availability of any current or suspended passive losses that may offset some portion of the COD income allocable to a unitholder. Unitholders are encouraged to consult their tax advisors with respect to the consequences of potential transactions that may result in income and gain to unitholders.

Additionally, if Legacy's unitholders, just like unitholders of other master limited partnerships, sell any of their units, they will recognize gain or loss equal to the difference between the amount realized and their tax basis in those units. Prior distributions to unitholders that in the aggregate exceeded the cumulative net taxable income they were allocated for a unit decreased the tax basis in that unit, and will, in effect, become taxable income to Legacy's unitholders if the unit is sold at a price greater than their tax basis in that unit, even if the price received is less than original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to Legacy's unitholders due to the potential recapture items, including depreciation, depletion and intangible drilling.

Cautionary Statement Relevant to Forward-Looking Information

This press release contains forward-looking statements relating to our operations that are based on management's current expectations, estimates and projections about its operations. Words such as "anticipates," "expects," "intends," "plans," "targets," "projects," "believes," "seeks," "schedules," "estimated," and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: realized oil and natural gas prices; production volumes, lease operating expenses, general and administrative costs and finding and development costs; future operating results and the factors set forth under the heading "Risk Factors" in our annual and quarterly reports filed with the SEC. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Unless legally required, Legacy undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

CONTACT:
Legacy Reserves LP
Dan Westcott
Executive Vice President and Chief Financial Officer
(432) 689-5200