FORM 8-K

Date of Report (Date of earliest event reported): July 26, 2021

EP Energy Corporation
(Exact Name as Specified in its Charter)

Delaware	**46-3472728**
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification Number)

601 Travis Street, Suite 1400, Houston, Texas, 77002
(Address of Principal Executive Offices) (Zip Code)

713-997-1000
(Registrant's Telephone Number, Including Area Code)

This report is being furnished with respect to the Stockholders Agreement, dated as of October 1, 2020, by and among EP Energy Corporation (the "Company") and the stockholders listed therein

The information contained this report remains subject to the confidentiality restrictions set forth in Section 6.1 of the Stockholders Agreement

Item 1.01. Entry into a Material Definitive Agreement.

Membership Interest Purchase Agreement – Sale of EP Energy LLC and its subsidiaries

As previously disclosed on March 12, 2021, EP Energy Corporation (the "Company") announced that its board of directors (the "Board") engaged financial advisors and commenced a process to evaluate a range of strategic alternatives to maximize shareholder value. On July 26, 2021, the Board concluded its evaluation. On July 26, 2021, EPE Acquisition, LLC ("Seller"), a wholly owned subsidiary of the Company, entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with Verdun Oil Company II LLC, a Delaware limited liability company ("Purchaser"), an affiliate of EnCap Investments, L.P., pursuant to which Seller agreed to sell all of the issued and outstanding membership interests in EP Energy LLC, a Delaware limited liability company (the "Subject Company") to Purchaser (the "Transaction"). The Transaction, which has an effective date of August 1, 2021 (the "Effective Date"), is expected to close on November 1, 2021. The consummation of the Transaction will constitute a sale of all or substantially all of the assets of the Company.

Under the terms and conditions of the Purchase Agreement, the aggregate enterprise value associated with the Transaction is approximately $1.55 billion, comprised of (i) $1.445 billion in cash to be paid to Seller (the "Unadjusted Purchase Price"), as adjusted pursuant to the terms and conditions of the Purchase Agreement (as adjusted, the "Purchase Price") and (ii) the assumption by Purchaser of approximately $105 million in assumed liabilities associated with financial derivative transactions the Company previously executed in order to mitigate commodity price risk in 2022 and 2023. Purchaser delivered an amount equal to $72.25 million, or 5% of the Unadjusted Purchase Price, to an escrow agent (the "Escrow Agent") contemporaneously with the execution of the Purchase Agreement (the "Deposit"). The amount of the Unadjusted Purchase Price payable to Seller at the Closing is subject to customary adjustments for this type of transaction. Under the Purchase Agreement, it is a condition to the closing of the Transaction (the "Closing") that the net sum of all downward adjustments for title and environmental defects and casualty loss must not exceed 15% of the Unadjusted Purchase Price (the "Purchase Price Adjustment Cap").

The Purchase Agreement provides that the Closing is subject to the satisfaction or waiver of customary closing conditions, including, among others, (a) the accuracy of the representations and warranties of each party (subject to specified materiality standards), (b) compliance by each party in all material respects with their respective covenants, (c) the absence of any order issued by a governmental authority prohibiting the consummation of the Transaction, (c) the downward adjustments not exceeding the Purchase Price Adjustment Cap and (d) the expiration or termination of the waiting period under the HSR Act.

Seller and Purchaser have each made customary representations and warranties in the Purchase Agreement. The Purchase Agreement also contains customary covenants and agreements, including covenants and agreements relating to (a) the conduct of the Subject Company's and its subsidiaries' businesses during the period between the execution of the Purchase Agreement and Closing, (b) restrictions on publicity of the Transaction, (c) the efforts of the parties to cause the Transaction to be completed, including taking such actions with respect to obtaining any required governmental approval, including the expiration or termination of the waiting period under the HSR Act, and (d) the efforts of Seller to reasonably cooperate with Purchaser with respect to any debt or equity financing Purchaser intends to obtain in connection with the Transaction. The completion of such financing by Purchaser is not a closing condition under the Purchase Agreement.

The Purchase Agreement provides for certain termination rights for both Purchaser and Seller, including if (a) the Transaction is not consummated on or before December 1, 2021 (subject to extension until December 31, 2021 if the Transaction is not consummated as a result of the failure to obtain the approvals and waivers required under the HSR Act) or (b) there is a material breach of the terms of the Purchase Agreement by the other party, which breach cannot be cured by December 1, 2021. Upon termination of the Purchase Agreement under certain circumstances, including, but not limited to, the termination by Seller because Purchaser materially breached its obligations under the Purchase Agreement, Seller will be entitled to receive the Deposit as liquidated damages for such breach and termination. If Purchaser has the right to terminate the Purchase Agreement in certain circumstances, including because Seller materially breached its obligations under the Purchase Agreement, Purchaser will be entitled to either (a) terminate the Purchase Agreement, have the Deposit returned and have the right to recover actual, direct damages from Seller up to but not exceeding the amount of the Deposit or (b) seek specific performance of the Purchase Agreement in lieu of termination. Further, in the event that a right to terminate the Purchase Agreement otherwise arises under the terms of the Purchase Agreement but in such case Seller is not in material breach its obligations under the Purchase Agreement, Purchaser will be entitled to receive a refund of the Deposit only.

The Purchase Agreement also provides for Seller to indemnify Purchaser for certain losses incurred in connection with certain liabilities. At the Closing, the Deposit (the "Seller Indemnity Holdback") will be retained by the Escrow Agent to satisfy substantially all of Seller's post-Closing indemnity obligations. Subject to any previously satisfied or pending claims, up to 50% of the Seller Indemnity Holdback will be released to Seller on the six (6) month anniversary of the Closing date with the remaining 50% being released to Seller on the twelve (12) month anniversary of the Closing date. In addition, at the Closing, Seller will deposit an additional $10 million (the "Special Holdback") with the Escrow Agent to satisfy certain special indemnification obligations, including legacy environmental, P&A and litigation matters. Subject to any previously satisfied or pending escrow claims, up to 50% of the Special Holdback will be released on the twelve (12) month anniversary of the Closing date with the remaining 50% being released to Seller on the twenty four (24) month anniversary of the Closing date.

The Board engaged Credit Suisse Securities (USA) LLC and Jefferies LLC as its financial advisors and Latham & Watkins LLP to act as its legal advisor.

Item 8.01 Other Events.

As referenced above, the consummation of the Transaction will constitute a sale of all or substantially all of the assets of the Company. As a result, and pursuant to Section 271 of the Delaware General Corporation Law, the Transaction requires the approval by the Company's shareholders holding a majority of the Company's issued and outstanding common stock. A majority of the shareholders of the Company entitled to vote on such matter have provided a written consent approving the Transaction (the "Stockholder Consent" and such shareholders executing the Stockholder Consent, the "Applicable Stockholders"). In connection with entering into the Stockholder Consent, the Applicable Stockholders authorized and instructed the Company to provide notice to the Company's stockholders that did not execute the Stockholder Consent (the "Drag-Along Sellers") that the Transaction will constitute a "Sale Transaction" pursuant to Section 3.2(a) of that certain Stockholders Agreement by and among the Company and the stockholders party thereto, including the Applicable Stockholders (the "Stockholders Agreement"), and such Drag-Along Sellers shall be subject to all applicable terms

set forth in Section 3.2 of the Stockholders Agreement in connection with the Transaction, including, but not limited to, raising no objection to and waiving and refraining from exercising any appraisal or dissenter's rights claim or any claim of breach of fiduciary duties. This Form 8-K constitutes written notice to the Drag-Along Sellers pursuant to and in accordance with Section 3.2 of the Stockholders Agreement and notice of the taking of action by stockholders of the Company by less than unanimous written consent under Section 228 of the General Corporation Law of the State of Delaware.

Upon the Closing, it is anticipated that the Board of Directors of the Company will recommend that the Company be dissolved and, after paying or making provision for the payment of known or reasonably foreseeable liabilities of the Company, distribute the Company's assets, which will consist solely of the proceeds received by the Company from the Transaction, including any holdbacks. Upon dissolution, which will require approval from the Board and shareholders owning a majority of the Company's issued and outstanding common stock, the Company currently expects to distribute to the shareholders of the Company, in a single distribution or a series of distributions, between $89.75 and $96.30 per share, as set forth in the estimated shareholder recovery chart below.

The foregoing summary and chart below are estimates only as of the date of this report. The estimated shareholder recovery is subject to change and will depend on numerous factors, including the Closing of the Transaction, the actual cost of estimated wind down expenses and how quickly the Company can complete the wind down process. Details regarding any potential distribution(s), including amount and timing thereof, will be provided to shareholders at a later date.

EP Energy Corporation

	Estimated Shareholder Recovery
	$MM
Cash Purchase Price[1]	**$1,445**
Unassumed 2021 Hedge Liability	-$101
Estimated 8/1 Net Debt and Net Working Capital	-$67
Estimated Other Transaction Costs	-$57
Special Indemnity Holdback[2]	$(10) - 0
5% Seller Indemnity Holdback[3]	$(72) - 0
Estimated Wind-up Costs	-$10
Expected Shareholder Recovery	***$1,128 -$1,211***
Per Dilutable Share[4]	***$89.75 - $96.30***

[1] Cash Purchase Price does not reflect estimated value of 2022+ hedge liability assumed (~$105MM)

[2] Remaining funds in Special Indemnity Holdback to be released over two periods - 50% 12-months-post close/100% 24-months post-close

[3] Remaining funds in Seller Indemnity Holdback to be released over two periods - 50% 6-months post close/100% 12-months post-close

[4] Total shares include 11MM common shares and 1.571MM Equity Incentive Plan shares

[Signature page to follow]

SIGNATURE

Date: August 3, 2021

EP Energy Corporation

By: _____

Jace D. Locke
Vice President, General Counsel and
Corporate Secretary