

Constellation Energy Partners LLC
Form 8-K
July 26, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 25, 2007

Constellation Energy Partners LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-33147
(Commission
File Number)

11-3742489
(IRS Employer
Identification No.)

111 Market Place
Baltimore, MD
(Address of principal executive offices)

21202
(Zip Code)

Registrant's telephone number, including area code: **(410) 468-3500**

Not applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

Constellation Energy Partners LLC (the Company) previously announced in its Form 8-K filed on July 16, 2007, that it had entered into a Class F Unit and Common Unit Purchase Agreement (the Unit Purchase Agreement) with certain unaffiliated third-party investors (the Purchasers) to sell 3,371,219 Class F Units representing limited liability company interests (the Class F Units) and 2,664,998 common units representing Class B limited liability company interests (the New Common Units) in a private placement (the Private Placement) for an aggregate purchase price of approximately \$210 million. The Company issued and sold 3,371,219 Class F Units and 2,664,998 New Common Units to the Purchasers pursuant to the Unit Purchase Agreement on July 25, 2007. The Company used the proceeds from the Private Placement, together with funds available under the Company's revolving credit facility, to fund the purchase price of the acquisition of AMVEST Osage, Inc. (Amvest) from AMVEST Oil & Gas, Inc. (the Seller). The description of the Unit Purchase Agreement and the terms of the Class F Units and New Common Units contained in the Company's 8-K filed on July 16, 2007 are incorporated herein by reference. Furthermore, a copy of the Unit Purchase Agreement is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

In connection with the Unit Purchase Agreement, the Company entered into a registration rights agreement (the Registration Rights Agreement) with the Purchasers dated July 25, 2007. A copy of the Registration Rights Agreement is filed as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by reference. Pursuant to the Registration Rights Agreement, the Company is required to prepare and file a registration statement within 90 days of the closing of the Private Placement (the Closing Date), and use its commercially reasonable efforts to cause the registration statement to become effective no later than 135 days following the Closing Date. In addition, the Registration Rights Agreement gives the Purchasers piggyback registration rights under certain circumstances. These registration rights are transferable to affiliates and, in certain circumstances, to third parties.

If the registration statement is not declared effective within 165 days after the Closing Date, then the Company must pay each Purchaser, as liquidated damages, 0.25% of the sum of the product of \$34.43 times the number of Class F Units purchased by such Purchaser plus the product of \$35.25 times the number of New Common Units purchased by such Purchaser (the Liquidated Damages Multiplier) per 30-day period for the first 90 days following the 165th day after the Closing Date, increasing by an additional 0.25% of the Liquidated Damages Multiplier per 30-day period for each subsequent 30 days, up to a maximum of 1.00% of the Liquidated Damages Multiplier per 30-day period. There is no limitation on the aggregate amount of the liquidated damages the Company must pay each Purchaser.

Item 2.01 Completion of Acquisition or Disposition of Assets.

The Company previously announced in its Form 8-K filed on July 16, 2007, that it had entered into an agreement of merger (the Merger Agreement) with Amvest and the Seller providing for the merger of Amvest with and into a wholly-owned subsidiary of the Company for an aggregate purchase price of approximately \$240 million, subject to purchase price adjustments (the Amvest Acquisition). The description of the Amvest Acquisition and terms of the Merger Agreement contained in the Company's 8-K filed on July 16, 2007 are incorporated herein by reference. A copy of the Merger Agreement is filed as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth under Item 1.01 above is incorporated herein by reference.

Item 3.03 Material Modification to Rights of Security Holders

The information set forth in Item 5.03 below is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On July 25, 2007, the Company amended its Second Amended and Restated Operating Agreement to provide for the issuance of the Class F Units, a new class of equity securities. The amendment provides that no distribution will be paid for the second quarter of 2007 to the holders of the newly issued common and Class F units. The Class F Units are subordinated to the Common Units (i) with respect to the payment of the initial quarterly distribution (including arrearages with respect to minimum quarterly distributions from prior periods), and (ii) in the event of the dissolution or liquidation of the Company. The Class F Units have no voting rights other than with respect to any matters that adversely affect the rights or preferences of the Class F Units or as required by law. Upon

obtaining approval of the holders of at least a majority of the Common Units (not including the New Common Units), the Class F Units will convert into common units on a one-for-one basis. The Company has undertaken to obtain this approval by October 23, 2007. Additionally, Constellation Energy Partners Holdings, LLC, the largest holder of outstanding Common Units, has agreed to vote its Common Units in favor of the conversion. If the Company has not obtained the requisite approval of the conversion of the Class F Units by October 23, 2007, the Class F Units will be entitled to receive 115% of the initial quarterly distribution payable on each Common Unit, subject to the subordination provisions described above. A copy of the amendment is filed as Exhibit 3.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

On July 25, 2007, the Company issued a press release announcing the closing of the Amvest Acquisition. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The press release is being furnished pursuant to General Instruction B.2 of Form 8-K and is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), nor is it subject to the liabilities of that section or deemed incorporated by reference in any filing by the Company under the Exchange Act and the Securities Act of 1933.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of businesses acquired.

The financial statements required in connection with the Amvest Acquisition are not included in this Current Report. The Company will file the required financial statements within 71 calendar days after the date this Current Report on Form 8-K was required to be filed with the Securities and Exchange Commission.

(b) Pro Forma Financial Information.

The financial statements required in connection with the Amvest Acquisition are not included in this Current Report. The Company will file the required financial statements within 71 calendar days after the date this Current Report on Form 8-K was required to be filed with the Securities and Exchange Commission.

(c) Not applicable.

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------|--|
| *2.1 | Agreement of Merger dated as of July 12, 2007, among AMVEST Osage, Inc., AMVEST Oil & Gas, Inc. and CEP Mid-Continent LLC, f/k/a CEP Cherokee Basin LLC. |
| 3.1 | Amendment No. 2 to Second Amended and Restated Operating Agreement of Constellation Energy Partners LLC dated July 25, 2007. |
| *10.1 | Class F Unit and Common Unit Purchase Agreement, dated July 12, 2007, by and between Constellation Energy Partners LLC and the purchasers named therein. |
| 10.2 | Registration Rights Agreement, dated July 25, 2007, by and between Constellation Energy Partners LLC and the purchasers named therein. |
| 99.1 | Press Release of Constellation Energy Partners LLC dated July 25, 2007. |

*The schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of such schedules to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONSTELLATION ENERGY PARTNERS LLC

Date: July 25, 2007

By: /s/ Angela A. Minas
Angela A. Minas

Chief Financial Officer

EXHIBIT INDEX

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