

in support of the relief requested in the *Motion of Debtors for Entry of Orders (A)(I) Approving Bidding Procedures, (II) Scheduling the Bid Deadlines and the Auction, (III) Scheduling Hearings and Objection Deadlines with Respect to the Sale, (IV) Approving the Form and Manner of Notice Thereof, (V) Approving Contract Assumption and Assignment Procedures, and (VI) Granting Related Relief and (B)(I) Approving the Sale of the Assets Free and Clear of All Liens, Claims, Interests, and Encumbrances, (II) Approving Assumption and Assignment of Executory Contracts and Unexpired Leases, and (C) Granting Related Relief* [Docket No. 52] (the “**Motion**”). I hereby incorporate by reference my June Declaration as if fully set forth herein. This supplemental Declaration (the “**Supplemental Declaration**”) is specifically in support of the Debtors’ proposed order authorizing the sale of substantially all of its assets on a going-concern basis following the successful completion of a robust and arm’s-length auction process (the “**Sale Order**”).

2. I am a Partner and the co-head of the Debt Advisory and Restructuring Group of Centerview. Centerview is a full-service independent investment banking firm providing financial advisory services, including mergers and acquisitions and restructuring advice, across a broad range of industries. Centerview and its senior professionals have extensive experience in the reorganization, restructuring, and sale of distressed companies, both out-of-court and in chapter 11 proceedings. Centerview’s senior professionals also have extensive experience providing financial advisory services in connection with situations involving companies in the coal industry, including: *Patriot Coal Corp.*, Case No. 15-3245 (KLP) (Bankr. E.D. Va.); *Peabody Energy Corp.*, Case No. 16-42529 (BSS) (Bankr. E.D. Mo.); *Westmoreland Coal Company*, Case No. 18-35672 (DRJ) (Bankr. S.D. Tex.); and *Blackhawk Mining, LLC*, Case No. 19-11595 (LSS) (Bankr. D. Del.).

3. I have over 25 years of experience advising on and executing financing and restructuring transactions and distressed and regular-way mergers and acquisitions, including section 363 and chapter 11 plan sales. My experience includes representing companies, boards, creditors, and shareholders in a variety of situations. Consequently, in my current role, I am responsible for tracking and staying current on market trends for asset sales in and outside of bankruptcy. Prior to joining Centerview, I was a co-founder of, and served as a managing director at Miller Buckfire & Co., and served in the financial restructuring group of Dresdner Kleinwort Wasserstein. Prior to entering the financial services industry, I was a partner in the Business, Finance and Restructuring department of Weil, Gotshal & Manges LLP. I graduated from Georgetown University with a B.S.B.A./Finance and Boston University School of Law with a J.D.

4. I am authorized to make this Declaration on behalf of Centerview. All statements in this Declaration are based upon: (a) my personal knowledge, belief, or opinion; (b) information learned from my review of the Company's records maintained in the ordinary course of its business; (c) information supplied to me or verified by the Company's employees or advisors and/or employees of Centerview working directly with me or under my supervision, direction, or control; and/or (d) my experience and knowledge concerning financial restructurings, mergers, acquisitions and dispositions, and capital-raising activities. I am not being compensated specifically for this testimony other than through payments received and expected to be received by Centerview as a professional retained by the Company as the Company's investment banker in these Chapter 11 Cases.

5. If called upon to testify, I would testify competently to the facts and opinions set forth herein.

BACKGROUND

6. In December 2018, the Company retained Centerview to act as its investment banker and to provide restructuring advisory services in connection with a potential financial restructuring or reorganization of the Company. Since that time, members of my team and I have worked closely with the Company's management to provide a variety of investment banking services. As described in my June Declaration, the Company, with the help of Centerview and the Company's other restructuring advisors, began a process even before the Company filed these Chapter 11 Cases to market for sale all or substantially all of the Company's assets on a going-concern basis.

7. Since the Court entered its *Order (I) Approving Bidding Procedures, (II) Scheduling the Bid Deadlines and the Auction, (III) Scheduling Hearings and Objection Deadlines with Respect to the Sale, (IV) Approving the Form and Manner of Notice Thereof, (V) Approving Contract Assumption and Assignment Procedures, and (VI) Granting Related Relief* (the "**Bidding Procedures Order**"), the Company has continued to conduct the marketing and sale process in accordance with the terms of the Bidding Procedures Order (the "**Bidding Procedures**").²

8. As part of that process, the Company received Indications of Interest from various parties in accordance with the Bidding Procedures. Based on these Indications of Interest, and based on numerous discussions with potential bidders, the Company, in consultation with its restructuring advisors and the Consultation Parties,³ determined that it would be in the best interests of the Company to extend the Bid Deadline until July 25, 2019 at 5:00 p.m. prevailing

² Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Bidding Procedures Order and attached Bidding Procedures.

³ The Consultation Parties are: (1) the ad hoc group of 2021 noteholders (the "**Ad Hoc Group**"); (2) the lender parties under the Debtors' debtor-in-possession financing facility (the "**DIP Lenders**"); and (3) the Official Committee of Unsecured Creditors (the "**UCC**").

Eastern time, in order to give all bidders the opportunity to materially improve their bids so as to maximize estate value for all of the Company's stakeholders.

9. Prior to or shortly after the Bid Deadline, the Company received bids for substantially all of the Company's assets from three companies: (1) Navajo Transitional Energy Company, LLC ("*NTEC*"); (2) Aspen Coal & Energy, LLC ("*Aspen*"); and (3) Lighthouse Resources, Inc. ("*Lighthouse*").⁴ After receiving all bids, Centerview and the Company, with the assistance of the Company's other restructuring advisors, reviewed these bids to ensure that they complied with the terms of the Bidding Procedures. Moreover, Centerview and the Company worked closely with all of the bidders in an effort to assist them in structuring and improving their bids so as to maximize the potential value of each bid and to address any necessary clarifications.

10. On August 6, 2019, the Company determined that NTEC, Aspen, and Lighthouse were Qualified Bidders for substantially all of the assets of the Company (the "*Qualified WholeCo Bidders*" and their bids, individually, the "*Qualified WholeCo Bids*"). Again, Centerview and the Company, along with its other restructuring advisors, continued to work with each of the Qualified WholeCo Bidders in an effort to improve the bids and to negotiate details of each proposed transaction structure and associated transaction documents.

11. Each Qualified WholeCo Bid contained various components of non-cash consideration, including assumption of certain liabilities, but none of the Qualified WholeCo Bids contained any meaningful cash consideration. Centerview and the Company, with the assistance of their other restructuring advisors, and in consultation with the Consultation Parties, evaluated and compared the different components of the Qualified WholeCo Bids and attempted to determine a value for various components of non-cash consideration for each Qualified WholeCo Bid. Based

⁴ The Company also received various other bids for less than substantially all the assets of the Company, including one bid for only one of the Company's mines.

on this analysis, Centerview and the Company determined that Aspen's bid provided the most distributable value to the estate at approximately \$282.33 million. Accordingly, on August 14, 2019, in advance of the August 15, 2019 Auction, the Company designated Aspen's bid as the Baseline Bid.

12. In order to stimulate improved bids and to maximize value at the Auction, Centerview and the Company provided each Qualified WholeCo Bidder with a breakdown of the various components of the Baseline Bid and that Qualified WholeCo Bidder's own bid, as well as the Company's valuation of those components, in advance of the Auction. Moreover, Centerview and the Company provided each Qualified WholeCo Bidder with a menu of potential components of additional non-cash consideration and potential asset carve-outs – with pre-determined, fixed values – that each Qualified WholeCo Bidder could choose to add to their bid at the Auction to improve their bid. Additionally, Centerview and the Company again offered to and did work closely with each of the Qualified WholeCo Bidders to discuss ways that each Qualified WholeCo Bidder could materially improve their bid in light of the Baseline Bid. Specifically, Centerview and the Company discussed with the Qualified WholeCo Bidders the potential effects that non-cash consideration could have on the total value of a bid, including the fact that increasing certain components of non-cash consideration could negatively impact the value of other components of non-cash consideration. For example, increasing the total amount of offered take-back debt, could have the effect of lowering the value of offered equity in the purchased assets.

13. On August 15, 2019, the Company commenced the Auction in accordance with the Bidding Procedures. Each of the Qualified WholeCo Bidders participated in the Auction and was represented by their own in-house and/or outside professional advisors. At the outset of the Auction, Centerview and the Company advised the Qualified WholeCo Bidders that, in assessing

bids, the Company would consider a variety of factors, including not only the various components of consideration, but also the relative risks and uncertainties associated with the proposed transaction.

14. The Auction continued for several hours during which at least two overbids were received that significantly increased the total distributable value for the Company. Because the overbids contained various components of non-cash consideration, there was significant time spent between each overbid to value the bid and assess whether it was the then-current best and highest bid.

15. By early evening, as certain of the Qualified WholeCo Bidders increased their bids through the contribution of incremental non-cash consideration, including take-back debt and equity-like instruments, it became increasingly difficult for the Debtors to value those non-cash components and compare relative bid values. For example, as more debt was offered as additional consideration, it became increasingly difficult to value the various non-cash components, as the transaction as a whole became potentially higher-risk and less certain. Moreover, the Auction had reached a point where, as previewed with the Qualified WholeCo Bidders in advance of the Auction, increases in certain non-cash consideration components were likely to have a reciprocal negative impact on the value of other components of non-cash consideration.

16. Accordingly, at approximately 8:30 p.m. prevailing Eastern Time, Centerview and the Company, with the assistance of their other restructuring advisors, and with the unanimous support of all of the Consultation Parties, announced that the Company was modifying the rules of the Auction, as permitted by the Bidding Procedures, in order to maximize value for all stakeholders and to enable the Company to efficiently obtain the highest and best potential bids for a final comparison. Thus, the Company instructed the Qualified WholeCo Bidders that each

Qualified WholeCo Bidder was invited to submit a best and final bid on a blind basis by 10:30 a.m. prevailing Eastern time the following morning (the “*Final Bids*”), at which point the Company would convene with its advisors and the Consultation Parties to value and compare the bids and select the Winning Bid and the Backup Bid. Centerview, the Company, and the Company’s restructuring advisors offered to and did continue to work with each of the Qualified WholeCo Bidders throughout the evening to answer any questions and to assist the Qualified WholeCo Bidders in structuring their improved bids so as to provide the most potential value. The Company then adjourned the auction for the evening. None of the Qualified WholeCo Bidders objected to the Company’s modification of the Bidding Procedures.

17. Based on my professional experience and my personal involvement in the auction and negotiations and discussions with the Qualified WholeCo Bidders, I believe that it was reasonable and necessary for the Debtors to modify the Bidding Procedures as discussed above in order to maximize the value of the auction process and ensure that the Company received the best possible bids in a timely manner.

18. On August 16, 2019, the Company received a Final Bid from each of the Qualified WholeCo Bidders. Centerview and the Company, along with its other restructuring advisors, and in consultation with the Consultation Parties, carefully reviewed each of the Final Bids, requested clarifying information from the Qualified WholeCo Bidders, where necessary, and considered the relative value of each bid as a complete package. As indicated at the outset of the Auction, in comparing the relative value of the Final Bids, the Company and their advisors considered both the value of the different components of consideration as well as the relative risks and uncertainty inherent in each of the proposed transactions.

19. After discussing with their advisors and the Consultation Parties, the Company ultimately determined that NTEC's Final Bid was the best and/or highest bid and therefore the Winning Bid, and Aspen's Final Bid was the Backup Bid. Based on Centerview's analysis and valuation, the Winning Bid provided the Company with a substantially higher total distributable value than NTEC's pre-Auction bid, NTEC's initial bid submitted at the Auction, and the Baseline Bid.

20. By way of summary, the Winning Bid consisted of, among other things, the following components of consideration:

- \$15.7 million in cash;
- \$40 million note secured by a first lien on all assets of the Company and NTEC, but subordinated to collateral for certain permitted senior lien debt (not to exceed \$105 million); additionally, the collateral for the \$40 million note shall exclude any collateral pledged to a certain Arizona Public Service Company promissory note, as long as this note remains outstanding;
- A \$0.15/ton royalty, payable quarterly for a period of five years, on all tons produced and sold at the Antelope and Spring Creek mines and on all tons produced and sold in excess of 10 million tons per year at the Cordero Rojo mine;
- A carve-out of certain parcels of real estate that the Company may sell to third parties;
- Assumption of pre- and post-petition non-income tax liabilities and coal-production related royalties projected to be approximately \$93.92 million as of September 30, 2019;
- Assumption of \$20 million of post-petition accounts payable;
- Agreement that the Company will retain all pre-closing cash on hand, accounts receivable, cash collateral securing letters of credit, and future AMT tax refunds; and
- Cash to fund approximately \$0.78 million in cure costs.

21. In addition to the above components of consideration, in determining the Winning Bid the Company and Centerview also took a number of other factors into account, including,

among others, the fact that NTEC was the only bidder with committed surety bonding, that NTEC's proposed transaction offered the lowest relative credit risk, that NTEC demonstrated significant adequate assurance of future performance based on its experience as the owner of the Navajo mine and its historical performance, and that NTEC was the only bidder that required no third-party financing.

22. Taking all of these components of consideration and additional factors into account, it is my professional opinion that the Winning Bid provided the most value to the Company for the benefit of all of its stakeholders and is the highest and/or best bid.

23. Based on my professional experience and my direct participation in the sale process, the Auction, and discussions and negotiations with the Qualified WholeCo Bidders, I do not believe that any further marketing efforts would have resulted in a feasible bid that would provide more value for the Company's assets. Likewise, I do not believe that a further continuation of the Auction would have resulted in a feasible bid that was more valuable than the Winning Bid. Nor do I believe that there are any other reasonable alternatives available for the Company to obtain more value for its assets. Accordingly, based on the foregoing, I believe that the Court should approve the sale to NTEC and enter the proposed Sale Order.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my information, knowledge and belief.

Executed on August 19, 2019

/s/ Marc D. Puntus

Marc D. Puntus

Partner

Centerview Partners LLC