

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE: §
WESTMORELAND COAL COMPANY, et § **CASE NO: 18-35672**
al § **CHAPTER 11**
§ **(Jointly Administered)**

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

IN RE: §
SUNEDISON, INC., et al. § **CASE NO: 18-35672**
§ **CHAPTER 11**
§ **(Jointly Administered)**

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

IN RE: §
OLD ANR, LLC, et al. § **CASE NO: 19-00302 (KRH)**
§ **MISCELLANEOUS PROCEEDING**

MEDIATOR'S NOTICE TO COURT

The Court-ordered mediation commenced on February 7, 2019. I report:

1. The United States Trustee, McKinsey, the Mar-Bow entities, and Westmoreland Coal each appeared at mediation, and each proceeded with the mediation. Attendance by other entities was optional, and no other entities participated. All parties spent extensive time conferring with me both before and during the mediation. Extensive discussions continued after February 7, 2019 as well. I report to you that all parties complied with your respective orders and participated in good faith.
2. McKinsey and Mar-Bow have not reached a settlement. They have agreed to suspend the mediation, with my renewed involvement as a mediator, as appropriate from time-to-time. Subject to any contrary orders, I have agreed to that proposal.
3. I am pleased to report that the United States Trustee and McKinsey have reached a definitive settlement of all issues between those parties. Based on my observations, the proposed settlement between the United States Trustee and McKinsey resolves the parties' good faith disputes concerning the application of Bankruptcy Rule 2014. A copy of the definitive term sheet is attached as Exhibit "A". I anticipate that the motion to approve the settlement will be filed shortly.

4. I am also pleased to inform you that McKinsey and Westmoreland have reached a definitive agreement. A copy of their agreement is attached as Exhibit "B". I anticipate that a motion seeking implementation and approval of that agreement will be filed shortly.

Respectfully submitted,

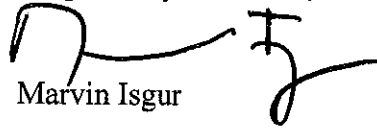

Marvin Isgur

EXHIBIT “A”

**MEDIATED SETTLEMENT TERM SHEET
BETWEEN THE UNITED STATES TRUSTEE PROGRAM
AND THE MCKINSEY ENTITIES**

1. McKinsey¹ will pay:
 - a. \$5 million to the reorganized debtors in the Alpha cases.
 - b. \$5 million to the reorganized debtors in the SunEdison cases.
 - c. \$5 million to the bankruptcy estate in the Westmoreland cases.
2. The payments identified in Paragraph 1 will be distributed in accordance with the terms of the confirmed plans in those cases or other applicable law. If any of the \$15 million is distributed to McKinsey, it will be refunded by McKinsey to the distributing party.
3. The United States Trustee Program will release all claims against McKinsey (and all of its agents, directors, officers, attorneys and employees acting on its behalf, solely with respect to actions taken in the course and scope of their duties with McKinsey regarding disclosures in the cases referenced below), and refrain from instituting, directing or maintaining any contested matter, adversary proceeding, or miscellaneous proceeding, or participating in any contested matter, miscellaneous proceeding, or adversary proceeding by a third party (except that the United States Trustees may participate in an action to the extent ordered by a court provided that the United States Trustees may not seek such a court order formally or informally), against McKinsey in which:
 - (a) it is alleged that McKinsey failed to (i) make full and complete disclosure under applicable law; or (ii) fully comply with Fed. R. Bankr. P. 2014; or
 - (b) any remedy is sought that would be barred by *res judicata* or collateral estoppel principles if McKinsey had (i) made full and complete disclosures in accordance with applicable law; and (ii) fully complied with Fed. R. Bankr. P. 2014.

For the avoidance of doubt, with respect to paragraph 3(b) above, (x) in the event of: (i) fraud or a material misrepresentation on the record that would have rendered McKinsey “not disinterested” in any of these bankruptcy cases or that would otherwise have disqualified McKinsey from retention, or (ii) a material omission of fact that if made on the record would have rendered McKinsey “not disinterested” in any of these bankruptcy cases or that would otherwise have disqualified McKinsey from retention, (y) the United States Trustee Program may pursue appropriate relief including seeking disqualification, and McKinsey reserves all rights to object to such relief.

¹ For purposes of this Settlement Term Sheet, “McKinsey” means, collectively, McKinsey & Company, Inc., McKinsey Holdings, Inc., McKinsey & Company, Inc. United States and McKinsey Recovery & Transformation Services U.S., LLC.”

The release will apply in the following bankruptcy cases (including any jointly administered cases pertaining to the listed cases):

- Westmoreland Coal Company, Case No. 18-35672 (Bankr. S.D. Tex.);
 - SunEdison, Inc., Case No. 16-10992 (Bankr. S.D.N.Y.);
 - Alpha Natural Resources, Inc., Case No. 15-33896 (Bankr. E.D. Va.);
 - The Hayes Lemmerz International, Inc., Case No. 01-11490 (Bankr. D. Del.);
 - UAL Corporation, Case No. 02-48191 (Bankr. N.D. Ill.);
 - Mirant Corp., Case No. 03-46590 (Bankr. N.D. Tex.);
 - Lyondell Chemical Company, Case No. 09-10023 (Bankr. S.D.N.Y.);
 - Harry & David Holdings, Inc., Case No. 11-10884 (Bankr. D. Del.);
 - AMR Corp., Case No. 11-15463 (Bankr. S.D.N.Y.);
 - AMF Bowling Worldwide, Inc., Case No. 12-36495 (Bankr. E.D. Va.);
 - Edison Mission Energy, Case No. 12-49219 (Bankr. N.D. Ill.);
 - NII Holdings, Inc., Case No. 14-12611 (Bankr. S.D.N.Y.);
 - SRC Liquidation, LLC (f/k/a The Standard Register Company), Case No. (Bankr. D. Del.); and
 - GenOn Energy, Inc., Case No. 17-33695 (Bankr. S.D. Tex.).
4. McKinsey will release all claims against the United States Trustee Program and all of its current and former employees, including all claims under the Equal Access to Justice Act, 28 U.S.C. § 2412, based on the United States Trustee Program's investigation and prosecution of claims arising out of or pertaining to the adequacy of McKinsey's disinterestedness or disclosures in the cases referenced in paragraph 3.
5. The United States Trustee Program reserves all rights to object to McKinsey's disinterestedness or its retention in the Westmoreland case on any grounds other than the adequacy of its past retention related disclosures in the cases referenced in paragraph 3. The existing objection by the United States Trustee is resolved by this Agreement, without prejudice to the rights of the United States Trustee to assert any issue in any new objection that might be filed.
6. McKinsey will request the United States Bankruptcy Court for the Southern District of Texas to defer consideration of McKinsey's retention application until after McKinsey has made additional disclosures² in the Westmoreland case. The United States Trustee will consent to the requested extension.

² McKinsey will file an appropriate motion before the Bankruptcy Court in which the continuance is requested.

7. This Settlement Term Sheet will be filed of record in the SunEdison, Alpha and Westmoreland bankruptcy cases. Thereafter, the Settlement Term Sheet will be incorporated into a proposed agreed order filed in, and subject to the approval of each of the United States Bankruptcy Courts for the Eastern District of Virginia, the United States Bankruptcy Court for the Southern District of New York, and the United States Bankruptcy Court for the Southern District of Texas.
8. Among other things, the final document will include the United States Trustee Program's usual and customary language concerning the preservation of all other rights by the United States, the right to share information with other agencies of the United States, and an acknowledgement that the agreement set forth herein does not impact the rights of non-parties.
9. Neither this Settlement Term Sheet nor the final documentation will constitute an admission of liability, wrongdoing or misconduct by McKinsey, its employees, officers, directors or agents.

EXHIBIT “B”

**MEDIATED TERM SHEET
BETWEEN WESTMORELAND COAL AND
MCKINSEY RECOVERY & TRANSFORMATION SERVICES U.S, LLC**

1. Westmoreland has requested that McKinsey continue to serve as its financial advisor in the Westmoreland bankruptcy cases. McKinsey has agreed to do so, subject to appropriate approval by the United States Bankruptcy Court for the Southern District of Texas.

2. Westmoreland and McKinsey believe that McKinsey has provided unvarnished and independent advice to Westmoreland in these cases. Although Westmoreland has received allegations that McKinsey has conflicted interests, Westmoreland has observed no conflict and believes that it has received unconflicted advice.

3. McKinsey has requested that Westmoreland file a motion with the United States Bankruptcy Court for the Southern District of Texas asking that the Court defer consideration of McKinsey's retention pending the following:

- a. The adoption by McKinsey of a protocol for a review of its connections in bankruptcy cases to assure that McKinsey's disclosures in these cases is full, complete, and in compliance with Fed. R. Bankr. P. 2014.
- b. The application of the protocol by McKinsey in this case to allow the preparation of revised disclosures.
- c. Westmoreland's review of the revised disclosures to determine whether, in Westmoreland's view, McKinsey may serve under 11 U.S.C. § 327.
- d. The filing of the revised disclosures by McKinsey.

Westmoreland has agreed to the request in this paragraph 3.

4. McKinsey has informed Westmoreland of McKinsey's settlement with the United States Trustee Program. Westmoreland fully supports the settlement.