

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

)	
In re:)	Chapter 11
)	
WESTMORELAND COAL COMPANY, <i>et al.</i> , ¹)	Case No. 18-35672 (DRJ)
)	
Debtors.)	(Jointly Administered)
)	

**DECLARATION AND EXPERT REPORT OF
ROBERT A. CAMPAGNA IN SUPPORT OF
CONFIRMATION OF THE AMENDED JOINT CHAPTER 11 PLAN OF
WESTMORELAND COAL COMPANY AND CERTAIN OF ITS DEBTOR AFFILIATES**

I, Robert A. Campagna, hereby declare, under penalty of perjury, as follows:

1. I am a Managing Director and Co-Head of the Eastern Region Restructuring Practice at Alvarez & Marsal North America, LLC (“A&M”), a restructuring advisory services firm with numerous offices throughout the country, which has been retained as restructuring advisor to the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”). Attached as **Exhibit A** is a copy of my curriculum vitae and attached as **Exhibit B** is a list of matters in which I have testified at trial or by deposition in the last four years.

2. I am over the age of 18 and authorized to submit this declaration (the “Declaration”) in support of confirmation of the *Amended Joint Chapter 11 Plan of Westmoreland Coal Company and Certain of Its Debtor Affiliates* (as may be amended, modified, or supplemented from time to

¹ Due to the large number of debtors in these Chapter 11 Cases, for which joint administration has been granted, a complete list of the debtors and the last four digits of their tax identification, registration, or like numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent in these Chapter 11 Cases at www.donlinrecano.com/westmoreland. Westmoreland Coal Company’s service address for the purposes of these Chapter 11 Cases is 9540 South Maroon Circle, Suite 300, Englewood, Colorado 80112.

time, the “Plan”).² In particular, I submit this declaration in support of my opinion that Holders of Claims or Interests in Impaired Classes that voted to reject the Plan are receiving under the Plan at least as much as they would receive if the WLB Debtors’ cases were converted to cases under chapter 7 of the Bankruptcy Code. I am generally familiar with the WLB Debtors’ day-to-day operations, business and financial affairs, and books and records, as well as the WLB Debtors’ restructuring efforts. I have played an active role in the development of the Plan and I am familiar with the Plan’s terms, as well as the negotiations that led to its development.

3. I have overseen and been involved with all aspects of A&M’s role as restructuring advisor to the Debtors. Among other things, A&M has provided assistance to the Debtors with respect to the management of the overall restructuring process, the development of ongoing business and financial plans/cash flow forecasts, and the support of restructuring negotiations among the Debtors, their advisors, and their creditors in connection with an overall exit strategy for their Chapter 11 Cases, including:

- (a) assistance to the Debtors in the preparation of financial-related disclosures required by the Court, including the Debtors’ schedules of assets and liabilities, statements of financial affairs and monthly operating reports;
- (b) assistance to the Debtors with information and analyses required pursuant to the Debtors’ use of cash collateral, and, if applicable, debtor-in-possession financing;
- (c) assistance with the identification and implementation of short-term cash management procedures;
- (d) assistance with the identification of executory contracts and leases and performance of evaluations to support the Debtors analysis and decision to assume or reject each contract and lease;
- (e) advisory assistance in connection with obtaining approval of key employee compensation and benefit programs;
- (f) assistance in the preparation of financial information for distribution to creditors and others, including, but not limited to, cash flow projections and budgets, cash

² Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

receipts and disbursement analysis, analysis of various asset and liability accounts, and analysis of proposed transactions for which Court approval is sought;

- (g) attendance at meetings and assistance in discussions with prepetition creditors and potential investors, banks, and other secured lenders, any official committee(s) appointed in these Chapter 11 Cases, the United States Trustee, other parties in interest and professionals hired by same, as requested;
- (h) analysis of creditor claims by type, entity, and individual claim, including assistance with development of databases, as necessary, to track such claims;
- (i) assistance in the preparation of information and analysis necessary for the confirmation of a plan of reorganization in these Chapter 11 Cases, including information contained in the Disclosure Statement; and
- (j) rendering such other general business consulting or such other assistance as the Debtors' management or counsel has deemed necessary.

4. Except as otherwise indicated herein, all facts set forth in this declaration are based upon my personal knowledge of the WLB Debtors' operations and finances and the WLB Debtors' restructuring activities, information gathered from my review of relevant documents, information supplied to me by the WLB Debtors' management and advisors and / or employees of A&M working directly with me or under my supervision or direction, and/or my opinion based on my experience. Attached as **Exhibit C** is a list of materials on which I have relied for the expert opinions expressed in this Declaration. If called upon to testify, I could and would competently testify to the facts and the opinions set forth herein.

5. A&M is paid hourly for its services with a range of rates of \$400-\$1,100, with my current hourly rate at \$1,025. See *First Supplemental Declaration of Robert A. Campagna in Support of the Debtors' Application for Entry of an Order Authorizing the Retention and Employment of Alvarez & Marsal North America, LLC as Restructuring Advisor Nunc Pro Tunc to the Petition Date* [Docket. No. 873].

The Plan is in the Best Interests of Holders of Claims and Interests.

6. I understand that section 1129(a)(7) of the Bankruptcy Code requires that any chapter 11 plan must satisfy the “best interests of creditors” test, which provides that holders of claims or interests in impaired classes that vote to reject the plan must receive under a chapter 11 plan at least as much as they would under chapter 7 of the Bankruptcy Code.

7. I understand that the Plan contemplates that Allowed Administrative Claims, Priority Tax Claims, DIP Facility Claims, and Professional Fee Claims will be paid in full in cash or receive other treatment rendering them unimpaired. Accordingly, the best interests test does not apply to Holders of Allowed Administrative Claims, Priority Tax Claims, DIP Facility Claims, and Professional Fee Claims.

8. Furthermore, I believe that all Holders of Claims and Interests in all Impaired Classes that voted against the Plan will recover at least as much under the Plan as they would in a hypothetical chapter 7 liquidation.

9. Each voting Holder of a Class 3 First Lien Secured Claim voted to accept the Plan. *See Declaration of Jung W. Song on Behalf of Donlin, Recano & Company, Inc. Regarding Voting and Tabulation of Ballots Accepting and Rejecting Joint Chapter 11 Plan of Westmoreland Coal Company and Certain of its Debtor Affiliates* [Docket No. 1436] (the “Voting Report”). Accordingly, I understand that the best interests of creditors test does not apply to Class 3.

10. I understand that certain Holders of Class 4 General Unsecured Claims voted against the Plan. With respect to those creditors, I believe the Plan satisfies the best interests of creditors test. More specifically, I understand that the Required Consenting Stakeholders have agreed to provide \$3.25 million in cash (the “Committee Settlement Amount”) to be used to provide a recovery to Holders of Allowed General Unsecured Claims as part of the Committee

Settlement.³ Furthermore, the Plan provides for the waiver of any distribution on account of the First Lien Deficiency Claims of approximately \$319 million. Such waiver is highly beneficial to Holders of Allowed General Unsecured Claims, as it meaningfully increases the percentage recovery for such Holders. In contrast, under a chapter 7 liquidation, Allowed General Unsecured Claims would receive no distribution because the Committee Settlement would not take place, meaning that there would be no Committee Settlement Amount to be distributed to Holders of Allowed General Unsecured Claims. Furthermore, in a chapter 7 liquidation, the Holders of First Lien Claims would not waive the First Lien Deficiency Claims, which would significantly diminish the recovery of Holders of Allowed General Unsecured Claims, to the extent that there was any value to distribute. Under the Plan, the amount of the credit bid that Holders of First Lien Claims made was approximately \$500 million (comprised of \$390 million of First Lien Secured Claims, plus the assumption of the \$110 million DIP Facility). This is approximately \$280 million less than they are owed for their secured debt and approximately \$319 million less than they are owed on account of their secured debt and accrued and unpaid interest as of the Petition Date. I understand that in a chapter 7 liquidation, the value of the WLB Debtors' assets would likely be substantially lower than \$500 million due to the passage of time and a less efficient marketing process by a chapter 7 trustee. Therefore, there would be less value to distribute to Holders of General Unsecured Claims.

11. Additionally, among other things, if the Chapter 11 Cases were converted to cases under chapter 7, the WLB Debtors' Estates would incur the costs of payment of a statutorily allowed sliding-scale commission to the chapter 7 trustee, as well as the additional costs of

³ As defined in the *WLB Debtors' (I) Memorandum of Law in Support of Confirmation of Amended Joint Chapter 11 Plan Of Westmoreland Coal Company and Certain of its Debtor Affiliates And (II) Response To Certain Objections Thereto*.

replacement counsel and other professionals retained by the trustee to get up to speed and assist with the liquidation. Such amounts, together with other wind-down costs, would likely exceed the amount of costs that the Plan Administrator and its professionals and agents would be expected to incur in connection with completing the liquidation of the Estates. Additionally, under the Plan, the Purchaser is assuming the DIP Facility (in the form of the New First Lien Debt), but in a chapter 7 liquidation, that assumption would not occur, and there would be \$110 million of additional Allowed Administrative Claims that would be paid ahead of General Unsecured Claims. All of these expenses under a hypothetical chapter 7 liquidation would further diminish the recoveries to Holders of General Unsecured Claims.

12. Furthermore, the Estates would continue to be obligated to pay all unpaid expenses incurred by the WLB Debtors during the Chapter 11 Cases, which may constitute Allowed Claims in any chapter 7 case. Moreover, a chapter 7 case would trigger a new bar date for filing claims that would be more than 90 days following conversion of the case to chapter 7. Thus, the amount of Claims ultimately filed and Allowed against the WLB Debtors could materially increase, thereby further reducing creditor recoveries versus those available under the Plan.

13. In light of the foregoing, I believe that a chapter 7 liquidation would result in materially reduced sale proceeds, increased expenses, and the prospect of additional claims that were not asserted in the Chapter 11 Cases.

14. Accordingly, it is my opinion that the Plan is in the best interests of Holders of Claims and Interests, and the requirements of section 1129(a)(7) of the Bankruptcy Code are satisfied.

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

Dated: February 22, 2019

/s/ Robert A. Campagna

Robert A. Campagna
Managing Director
Alvarez & Marsal North America, LLC

Exhibit A

Curriculum Vitae of Robert A. Campagna

Robert Campagna

Managing Director



Turnaround and
Restructuring

New York



- Bob Campagna is a Managing Director with Alvarez & Marsal and Head of the firm's Eastern Region Restructuring practice. He specializes in providing turnaround, restructuring and business advice to companies, lenders, creditors, and other stakeholders. His primary areas of focus include formulating and evaluating strategic business plans, developing cash and liquidity forecasting and monitoring programs, assessing operational performance and improvement opportunities, and developing and negotiating refinancing and recapitalization plans, as well as plans of reorganization.
- With over 25 years of distressed company advisory experience, Mr. Campagna has advised clients in debt restructurings, loan workouts, bankruptcies, corporate turnarounds, complex litigation and fraud investigations. He has provided advice to clients in a wide range of industries including retail, mining, consumer products, education publishing, manufacturing, automotive, marketing and media, telecommunication, gaming, and healthcare. Mr. Campagna has served in both financial advisory and interim management roles where he led strategy implementation efforts.
- Mr. Campagna recently served as the Chief Restructuring Officer of Payless ShoeSource, the largest specialty family footwear retailer in the Western Hemisphere. As CRO, guided the Company through its financial and operational restructuring, including store rationalization, lease renegotiation, expense reduction, and omni channel expansion efforts. The Company filed for Chapter 11 in April 2017 with a restructuring support agreement supported by its secured lenders and successfully emerged in August 2017.
- Mr. Campagna's engagement experience also includes Alpha Natural Resource, Inc., GT Advanced Technologies Inc., Cengage Learning, Inc., V2V Holding LLC (aka Vertrue), Education Holdings 1, Inc. (formerly The Princeton Review), Orchard Brands Corporation and Cooper-Standard Automotive, where he served as the lead restructuring advisor and provided finance department support throughout the restructuring process. He also worked with Interstate Bakeries Corporation, where he served in a variety of interim management roles including SVP and Restructuring Officer as well as Head of FP&A for the company, reporting directly to the CEO and the Board of Directors. For the firm's efforts related to Interstate, A&M was awarded "Transaction of the Year - Large Company" by the Turnaround Management Association and "Turnaround of the Year" by the M&A Advisor.
- Prior to joining A&M in 2003, Mr. Campagna was a Senior Director in the corporate turnaround and restructuring practice of a Big Five accounting firm in New York.
- Mr. Campagna earned a bachelor's degree in business administration from Bucknell University. He is a Certified Insolvency and Restructuring Advisor (CIRA), a Certified Public Accountant (CPA) and a member of the Association of Insolvency and Restructuring Advisors and the Turnaround Management Association.

Exhibit B

List of Testimony in Other Matters in the Last Four Years

In re GT Advanced Technologies Inc., et al., Case No. 14-11916 (D.N.H.) - October 2014

Exhibit C

**List of Materials on Which Robert A. Campagna Relied for the Expert Opinions
Expressed in this Declaration**

1. Liquidation Claims Estimates - February 21, 2019;
2. Preliminary Consolidating Balance Sheet - December 31, 2018;
3. Deficiency Claim Calculation - January 24, 2019;
4. Mine Major Production Equipment and Light Support Equipment;
5. Dragline Removal Estimate Values - 2019;
6. Collateral Report, Westmoreland Canada - March 31, 2018;
7. Collateral Report, Westmoreland US - March 31, 2018;
8. Declaration Of Marc D. Puntus in Support of Confirmation of the Amended Joint Chapter 11 Plan Of Westmoreland Coal Company and Certain of its Debtor Affiliates; and
9. Amended Joint Chapter 11 Plan of Westmoreland Coal Company and Certain of its Debtor Affiliates.