

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF OHIO**

In re:) Chapter 11
)
Hopedale Mining LLC, *et al.*,¹) Case No. 20-12043 (GRH)
)
) Jointly Administered
)
Debtors.) Honorable Guy R. Humphrey

**DECLARATION OF SETH SCHWARTZ
IN SUPPORT OF THE DEBTORS' MOTION TO APPROVE
SALE TRANSACTIONS REACHED AT AUCTION**

I, Seth Schwartz, do hereby declare under penalty of perjury:

Professional Background and Qualifications

1. I am President of Energy Ventures Analysis, Inc. ("**EVA**"), a Virginia corporation located in Washington D.C., offering energy consulting services to clients in the electric power, natural gas & oil, coal, environmental and renewable energy industries. EVA has extensive experience in providing high quality financial advice to debtors and creditors in chapter 11 cases and other restructurings.

2. Established in 1981, EVA offers energy consulting services, including energy market fundamentals, economic analysis, and operational management. EVA offers energy consulting and advisory services, including commodity price forecasts for coal, natural gas and

¹ The Debtors in these Chapter 11 cases are (with the last four digits of their federal tax identification numbers in parentheses): Rhino GP LLC (8619), Rhino Resource Partners LP (7517), Rhino Energy LLC (6320), Rhino Trucking LLC (8773), Rhino Exploration LLC (8863), Triad Roof Support Systems LLC (1183), Springdale Land LLC (9816), McClane Canyon Mining LLC (3783), Rhino Northern Holdings LLC (1858), CAM-Ohio Real Estate LLC (1859), CAM-Colorado LLC (4269), Taylorville Mining LLC (5106), CAM Coal Trading LLC (4143), Castle Valley Mining LLC (9495), Jewell Valley Mining LLC (0270), Rhino Services LLC (3356), Rhino Oilfield Services LLC (8938), Rhino Technologies LLC (0994), CAM Mining LLC (2498), Rhino Coalfield Services LLC (3924), Hopedale Mining LLC (9060), CAM-Kentucky Real Estate LLC (9089), CAM-BB LLC (9097), Leesville Land LLC (7794), CAM Aircraft LLC (5467), Pennyryle Energy LLC (6095), Rhino Eastern LLC (1457), Rockhouse Land LLC (7702).

oil, project valuations, energy policy analysis and tracking, and strategy risk assessments. EVA produces energy market publications, energy data, and energy analytics to assist corporations and investors in strategic transactions. Additionally, EVA provides clients with representation in coal property acquisitions and sales, including operating mines and undeveloped reserves. EVA's coal consulting and market services also provide financial analysis of investments in new mines, alternative mine plans, individual projects, contract renegotiation alternatives, and strategic planning for both suppliers and consumers, and acquisitions and divestiture analyses.

3. On July 16, 2020, the Debtors engaged EVA to act as their exclusive sale advisor in connection with the Debtors' sale process. Since its engagement, EVA has rendered financial advisory and marketing services to the Debtors in connection with the Debtors' sale process under the Bidding Procedures. Additionally, EVA has worked closely with the Debtors' management and other professionals retained by the Debtors with respect to this restructuring and has become well-acquainted with the Debtors' capital structure, liquidity needs, and business operations.

4. EVA's senior professionals have substantial expertise in the areas discussed above and worked closely with the Debtors' management and other professionals throughout the sale process in these Chapter 11 Cases. By virtue of its extensive restructuring experience and its expertise in the coal sector, EVA was well-qualified to provide services to and represent the Debtors' interests in the Chapter 11 Cases.

5. I am authorized to execute this declaration on behalf of EVA. I submit this declaration (the "**Declaration**") in connection with the *Debtors' Motion for Entry of (I) an Order (A) Approving Bidding and Sale Procedures with Respect to the Sale of Substantially all of the Debtors' Assets, (B) Authorizing the Entry into the Asset Purchase Agreement with the Stalking Horse Bidder and the Granting of Stalking Horse Protections, (C) Scheduling an Auction and Sale*

Hearing and Approving the Form and Manner of Notice Thereof, (D) Approving the Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases, and (E) Granting Related Relief; and (II) an Order Approving the Sale of Such Assets and Related Relief [Docket No. 26] (the “**Motion**”)² wherein the Debtors are seeking, among other things, the approval of the eight (8) Sale Transactions resulting from the Auction conducted on August 31, 2020.

6. The Debtors are diversified coal producers focused on coal and energy related assets and activities. The Debtors produce, process, and sell high quality coal of various steam and metallurgical grades from multiple coal producing basins in the United States. The Debtors market steam coal primarily to electric utility companies as fuel for their steam powered generators. Customers for the Debtors' metallurgical coal are primarily steel and coke producers who use coal to produce coke, which is used as a raw material in the steel manufacturing process. The Debtors operate underground and/or surface mines in Ohio, Kentucky, West Virginia, Virginia, and Utah, with additional assets in Colorado and Pennsylvania.

7. Due to the challenging regulatory and economic conditions facing coal companies, the Debtors' businesses have faced a marked downturn over the past several years.

8. I am familiar with and have personal knowledge of the contents of the Motion, the Bidding Procedures and each of the Sale Agreements memorializing the Sale Transactions.

9. Without limiting the foregoing, all statements set forth in this Declaration are based upon my personal knowledge, information learned from my review of relevant documents, from information provided to me from other employees of EVA which I have reviewed in the ordinary course of my duties as President, or my experience and knowledge of Debtors' operations and

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms as set forth in the Motion.

financial condition, unless otherwise expressly stated. Where indicated, certain statements herein are based upon information supplied to me by Debtors and other parties-in-interest in these Chapter 11 Cases. If I were called to testify, I could and would testify competently to the facts set forth herein.

10. I am not being specifically compensated for my testimony other than through payments received by EVA as a professional retained by the Debtors.

Proposed Sale Process and Bidding Procedures

11. The Debtors, in consultation with their advisors, determined that a transaction or series of transactions whereby the Debtors sell substantially all of their Assets is likely to maximize the value of the Debtors' estates for their stakeholders. To that end, prior to and subsequent to the Petition Date, the Debtors and their advisors engaged in extensive negotiations with the DIP Lenders in order to secure funding for a sale process that would result in the going concern sale of a substantial majority of the Debtors' operating Assets, thereby avoiding immediate liquidation and preserving hundreds of jobs.

12. As part of this consultation, it was determined that the Debtors' assets would be marketed and sold by Asset Group as more fully described in the Bidding Procedures. Depending on the bids received from Qualified Bidders, the Stalking Horse Bidder could remove assets from the Stalking Horse Agreement to allow an auction and sale of those Asset Groups.

13. In furtherance of the Debtors' goal, the Debtors sought and this Court entered an *Order (A) Approving Bidding and Sale Procedures with Respect to the Sale of Substantially All Assets, (B) Authorizing the Entry Into a Stalking Horse Agreement and the Provision of Stalking Horse Protections, (C) Scheduling an Auction and Sale Hearing and Approving the Form and Manner of Notice Thereof, and (D) Approving the Procedures for the Assumption and Assignment*

of Executory Contracts and Unexpired Leases, and (E) Granting Related Relief (Docket No. 232) (the “**Bidding Procedures Order**”).

Summary of Sale and Marketing Process

14. Prior to the Petition Date, the Debtors engaged professionals to assist in the exploration and analysis of strategic alternatives, including Evercore Group L.L.C. (“**Evercore**”) as the Debtors’ investment banker.

15. EVA replaced Evercore on July 17, 2020 (following Evercore’s resignation on July 13, 2020) and provided financial advisory services in connection with the Debtors’ proposed sale process.

16. Since our retention, EVA has acted promptly to market the Assets. EVA’s activities included: (a) facilitating the negotiation and execution of non-disclosure agreements (“**NDA**”); (b) developing a marketing package to contact potential purchasers, which consisted of a non-confidential summary of assets by Asset Group, a summary of the sales process and the timeline for bidders and the NDA, which was sent to a wide range of potential purchasers; (c) placing articles in the trade press describing the sale process and publishing the Auction Notice in a local newspaper as more fully detailed in the *Affidavit of Emily S. Medine Regarding Publication Notice of Debtors’ Auction and Sale Process* (Docket No. 281); (d) working with the Debtors to establish and enhance a data room with complete information on the Assets and to help organize the Assets by Asset Group, (e) contacting a large number of potential purchasers by email and following up with interested purchasers by telephone, and (f) working with Debtors’ personnel to arrange for ten (10) site visits.

17. EVA identified potential financial and strategic purchasers for the Assets. Throughout the sale process, EVA contacted over 88 potential purchasers, including re-contacting

40 companies previously contacted by the Debtors and its financial advisors and another 45 new companies identified by EVA as potentially-interested parties.

18. Out of the 88 companies contacted by EVA, 35 companies expressed some interest in the Assets. Nondisclosure agreements were entered into with 46 potential purchasers (including 22 companies contacted previously and another 26 companies newly contacted by EVA) who were given access to an electronic data room containing diligence materials related to the Debtors' Assets.

19. EVA served as the first point of contact for interested parties and the Debtors' personnel assisted in responding to requests for information. Throughout the sale process, additional parties were contacted as a result of expressions of interest or as a follow-up to our marketing efforts. EVA worked with interested parties to comply with the Bidding Procedures including the escrow deposit and addressed questions relating to the form purchase agreement.

20. Potential purchasers were invited to submit bids by no later than August 21, 2020. All bids were sent electronically to EVA. In total, 13 bids were received from 14 parties as one bid was a joint bid between two parties.

21. EVA reviewed and summarized each bid to determine (1) if the bidder was qualified as defined in the Bidding Procedures and (2) the economic benefit of the bids.

22. Bidders were required to escrow the greater of 10% of the purchase price or \$100,000. In total, \$1,324,000 were received in initial Good Faith Deposits.

23. The bids were reviewed with the Debtors, the Debtors' advisors, and the Consultation Parties. Where appropriate, EVA worked with the bidders to revise their bids. Ultimately, ten (10) Sale Agreements were negotiated. EVA advised three (3) of the bidders that

they were not qualified per the Bidding Procedures.

24. In accordance with the Bidding Procedures, the Debtors, in consultation with the Consultation Parties, selected eight (8) Baseline Bids for the Auction as reflected in the *Notice of Baseline Bids and Conduct of Virtual Auction* (Docket No. 308). As part of that process, and in order to generate the most value for the Assets, the Stalking Horse Bidder agreed to an Amended and Restated Asset Purchase Agreement dated August 28, 2020, the terms of which allowed for various Assets subject to the original Stalking Horse Agreement to be sold to other Qualified Bidders.

25. The Debtors held the Auction pursuant to the Bidding Procedures Order on August 31, 2020 at the offices of Frost Brown Todd in Cincinnati, Ohio. The Debtors and its advisors and counsel for the Unsecured Creditors' Committee were represented in person. All Qualified Bidders and other authorized parties joined via video conference or by phone.

26. The following eleven (11) Qualified Bidders were represented at the Auction:

- Pledge Servicing Partners (Stalking Horse Bidder)
- Blackhawk Mining
- Carter Roag Coal Company
- Ceres Consulting
- C.O.P. Coal Development Company
- Eagle Specialty Materials, LLC
- Lipari Energy
- Mountaineer Metallurgical Holdings, LLC
- Prime Met, Inc.
- Ramaco Resources Land Holdings, LLC - Wyoming Eagle, LLC (joint bid)
- Wolverine Fuels

27. All Qualified Bidders were eligible to bid on any Asset Groups that were up for auction.

28. Following an introduction and basic rules of the Auction by Frost Brown Todd, the Auction was conducted by EVA, which described the bidding procedures, each Asset Group, the

Baseline Bid for each Asset Group and what was required to submit a better and higher bid. The Auction lasted approximately six and a half hours with breaks throughout.

29. The Successful Bidders were selected by the Debtors, after consultation with the Consultation Parties, as providing the highest and best benefit to the estates of the Debtors. The results of the Auction are as follows:

- **Asset Group 5 – Jewell Valley**
 1. Baseline Bid was from Ramaco/Wyoming
 - i. Cash price of \$113,365.94 plus assumed liabilities (\$3.1 mm reclamation bonds)
 2. Competing Bid from Mountaineer Met was accepted
 - i. Cash purchase price of \$213,365.94 – minimum \$100,000 overbid
 3. Alternate Bid is the Baseline Bid from Ramaco/Wyoming

- **Asset Group 6 – Rhino Eastern (Bolt Mountain)**
 1. Baseline Bid was from Prime Met
 - i. Cash price of \$401,000 plus a \$1,000,000 Note plus assumed liabilities (\$0.5 mm reclamation bonds)
 - ii. Resolved Debtors’ lease dispute Adversary Proceeding
 2. Competing Bid from ESM was accepted
 - i. Cash price of \$1,800,000 plus assumed liabilities
 - ii. Accepted Debtors’ litigation risk on lease dispute Adversary Proceeding
 3. Alternate Bid is the revised Bid from Prime Met
 - i. Cash price \$1,365,000 plus \$1,000,000 Note

- **Asset Group 6 – Rich Mountain**
 1. Baseline Bid from Carter Roag was accepted with no competing offers
 - i. Cash purchase price of \$350,000
 2. Alternate Bid is the initial offer from Prime Met
 - i. \$50,000 cash plus \$501,000 Note

- **Asset Group 6 – Jewell Valley plant (Flatrock and Raven loadout)**
 1. Baseline Bid from Mountaineer Met was accepted with no competing offers

- i. Cash purchase price of \$25,000 plus assumed liabilities (reclamation bonds of \$2.5 mm)
 2. No Alternate Bid
- **Asset Group 6 – Springdale reserve**
 1. Baseline Bid from Prime Met was accepted with no competing offers
 - i. \$10,000 cash plus \$25,000 Note
 2. No Alternate Bid
- **Asset Group 6 – Hopedale dock (Kanauga)**
 1. Baseline Bid from Ceres was accepted with no competing offers
 - i. \$396,000 cash plus 2 deferred payments of \$100,000 each
 - ii. Assumed liabilities (reclamation bond of \$14,000)
 2. Alternate Bid is the Stalking Horse Bid
- **Asset Group 6 – Leesville reserve**
 1. Baseline Bid was the Stalking Horse Bid and was accepted with no competing offers
 - i. Value of \$100,000 included in Stalking Horse Bid
 2. Alternate Bid is the initial offer from Prime Met
 - i. \$10,000 cash plus \$25,000 Note
- **Asset Group 3 – Castle Valley**
 1. Baseline Bid from COP was accepted with no competing offers
 - i. Cash purchase price of \$2,250,001 plus purchase of coal inventory (estimated to be \$800,000 at closing, depending on quantity) and assumed liabilities
 - ii. Assumed liabilities include reclamation, cure payments, leases and performance bonds (bonds total \$8.3 mm)
 2. No Alternate Bid
 - i. Initial offer from Wolverine was not acceptable due to terms
- **Remaining Assets included in Stalking Horse Bid**
 1. Stalking Horse Bid was accepted with no competing bids
 - i. Valued at \$36,350,003 plus assumed liabilities
 - ii. Included assets:
 - i. Working Capital
 - ii. CAM Mining
 - iii. Hopedale Mining

- iv. Leesville Land
- v. Colorado Property
- vi. McClane Canyon Mine
- vii. Taylorsville Reserve

2. No Alternate Bid

30. The Successful Bidders are qualified companies with extensive experience in the coal industry and financial capability to assume the liabilities and fund the operations. The Successful Bidders include:

- Pledge Servicing Partners – this is the Stalking Horse Bidder, an affiliate of the Secured Creditor and the DIP Lender. These parties have provided significant funding for the Debtors prior to and after filing bankruptcy. They will acquire the primary asset of the Estate, CAM Mining, along with other assets not sold to other parties, and plan to retain the Rhino management team to assist with operations.
- C.O.P. Coal Development Company – C.O.P. is the primary lessor at the Castle Valley operations in Utah. The owners have previously been mine operators in Utah and have provided evidence of financial and bonding capability.
- Mountaineer Metallurgical Holdings (MMH) – While MMH is a newly-formed entity, its management team has extensive experience operating in the coal industry. MMH has provided evidence of its financial and bonding capability.
- Eagle Specialty Materials (ESM) – ESM owns and operates two of the largest surface mines in the United States, the Belle Ayr and Eagle Butte mines in Wyoming. ESM partners have extensive experience operating mines in Appalachia as well. ESM has provided evidence of its financial capability.
- Carter Roag – Carter Roag is a subsidiary of United Coal Company, one of the largest metallurgical coal producers in Appalachia. Carter Roag owns and operates two mines and a preparation plant near to the Rich Mountain reserve that it proposes to acquire and has the ability to integrate this property into its other operations.
- Ceres Consulting – Ceres is an affiliate of the barge company that currently leases the Kanauga dock that it proposes to purchase. Ceres has provided evidence of financial capability and has contracts to use the facilities that it will purchase.

- Prime Met – The principal in Prime Met has been in the coal business since 1973 and has owned and operated numerous coal operations, including the Springdale coal reserves it proposes to purchase. Prime Met has provided evidence of its financial capability.

31. The Sale Process has generated substantial consideration for the Debtors' estates. This consideration includes immediate cash proceeds from the asset sales of \$5,044,367 plus deferred payments up to \$225,000. In addition, the sale of the coal inventory at Castle Valley is expected to generate another \$800,000 in cash value. There are a number of non-cash benefits to the estates. The permit transfers in the asset sales to buyers other than the Stalking Horse Bidder are expected to replace reclamation and performance bonds totaling \$14,483,240. The remaining mining permits will be acquired by the Stalking Horse Bidder so that all of the Debtors' reclamation obligations will be transferred to new owners capable of replacing the bonds and performing the reclamation. In addition, the asset purchasers expect to continue mining operations at the CAM Mining, Castle Valley, and Jewell Valley properties. This will minimize layoffs or other adverse impacts to the Debtors' employees. The asset sales will be completed in a very short time frame from the initial filing date of July 22, 2020 to the completion of asset sales by September 10, 2020. The speed of this process has assisted the Debtors in minimizing reorganization expenses.

Conclusion

32. Based on the extensive marketing and auction process described herein, I believe that the Successful Bids are the best and highest offer for the Debtors' Assets under the circumstances and is the best avenue to avoid a value-destructive liquidation of the Debtors.

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: September 3, 2020

By: /s/ Seth Schwartz
Seth Schwartz
President

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