

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

TEMPLAR ENERGY LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 20-11441 (BLS)

(Jointly Administered)

Ref. Docket Nos. 15, 16, & 17

**DECLARATION OF STEVEN P. COVERICK OF
ALVAREZ & MARSAL NORTH AMERICA, LLC IN SUPPORT OF AN
ORDER (I) APPROVING (A) THE ADEQUACY OF THE DISCLOSURE
STATEMENT AND (B) THE PREPETITION SOLICITATION PROCEDURES
AND (II) CONFIRMING THE JOINT PREPACKAGED PLAN OF LIQUIDATION**

I, Steven P. Coverick, declare under penalty of perjury pursuant to 28 U.S.C. § 1746:

1. I am a Director with Alvarez & Marsal North America, LLC (together with employees of its affiliates (all of which are wholly-owned by its parent company and employees), its wholly owned subsidiaries, and independent contractors, "**A&M**"), the court-approved restructuring advisors to the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**"). A&M has extensive experience working with financially troubled companies in complex financial restructurings, whether out-of-court or in chapter 11 proceedings, all as described more fully in the *Debtors' Application to Employ and Retain Alvarez & Marsal North America, LLC as Financial Advisors Pursuant to Sections 327(a) and 328 of the Bankruptcy Code* [Docket No. 81] (the "**Retention Application**"), filed with the Bankruptcy Court on June 9, 2020. I have over a decade of experience providing corporate finance advisory services, including to financially distressed businesses and/or chapter 11 debtors. Some of my company-side representations include Expro Holdings, Inc., White Star

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Templar Energy LLC (4719), TE Holdcorp, LLC (6730), TE Holdings, LLC (3115), TE Holdings II, LLC (N/A), Templar Operating LLC (0810), Templar Midstream LLC (3275), and TE Holdings Management LLC (7467). The address of the Debtors' corporate headquarters is 4700 Gaillardia Parkway, Suite 200, Oklahoma City, Oklahoma 73142.



Petroleum Holdings, LLC, and iHeartMedia, Inc. I also have significant creditor-side representations, including in connection with the chapter 11 cases of SunEdison, Inc. and Avaya Inc.

2. Through my role as an advisor to the Debtors, I am familiar with the Debtors' financial affairs and current capital structure. I submit this declaration (the "**Declaration**") in support of confirmation of the *Joint Prepackaged Plan of Liquidation of Templar Energy LLC and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, dated May 31, 2020 (including all exhibits thereto, and as may be amended, modified, or supplemented from time to time, the "**Plan**").²

3. Except as otherwise indicated, all matters set forth in this Declaration are based on: (a) my personal knowledge; (b) my review of relevant documents; (c) reasonable inquiry of the Debtors and their advisors; (d) my view, based upon my experience and knowledge of the Debtors' business and financial condition, as well as information supplied to me by members of the Debtors' management and the other professional advisors retained by the Debtors in connection with these Chapter 11 Cases, and/or (e) as to matters involving United States bankruptcy law or rules or other applicable laws, my reliance on the advice of counsel to the Debtors. If I were called upon to testify, I could, and would, testify competently to the facts set forth herein.

A. Background

4. A&M was retained by the Debtors prior to the Petition Date. Since its retention, A&M has provided general restructuring and financial advice to the Debtors, including the

² Capitalized terms used but not otherwise defined herein have the meaning given to them in the Plan. Further, the description of the Plan contained herein is subject to and qualified in its entirety by the Plan. In the event of any conflict between the description of the Plan contained herein, and the terms of the Plan, the Plan shall control.

evaluation of the Debtors' business plan and strategic alternatives, support for cash flow forecasting, assistance with communications with constituents, preparation for first day motion relief and subsequent bankruptcy reporting, assistance with the development of the Plan, and the asset sale process. During the course of this engagement, A&M has worked closely with the Debtors' management and other retained professionals, and became well acquainted with the Debtors' business operations and capital structure.

5. I am familiar with the Plan and the liquidation analysis attached as Exhibit C to the Disclosure Statement (the "**Liquidation Analysis**"), which Liquidation Analysis A&M had principal responsibility for reviewing and preparing with the assistance of counsel. The Liquidation Analysis contains various estimates, assumptions, and qualifications, all of which are incorporated herein by reference. In formulating the Liquidation Analysis, it was assumed that, upon conversion of the Debtors' Chapter 11 Cases to a chapter 7, the Debtors' estates would not be substantively consolidated, and a trustee (the "**Chapter 7 Trustee**") would be appointed to manage the Debtors' affairs and conduct the liquidation and that the Chapter 7 Trustee's fees would be paid before any distributions would be made to creditors. In providing advice and assistance regarding the preparation of the Liquidation Analysis, in cooperation with Debtors' management, A&M calculated estimated liquidation values of the Debtors' assets and then reduced such amount by the costs and expenses of the liquidation. To determine what distribution would be made to creditors under a chapter 7 liquidation, A&M advised and assisted the Debtors in connection with determining the estimated cost of liquidation by the Chapter 7 Trustee. The Liquidation Analysis assumes that the Chapter 11 Cases would be converted to chapter 7 cases on or around August 31, 2020 (the "**Conversion Date**") and that the Sale would have closed prior to the Conversion Date.

6. A&M is being compensated for its work in these Chapter 11 Cases as set forth in the engagement letter attached as an exhibit to the Retention Application, which has been approved by the Bankruptcy Court [Docket No. 142].

B. The Plan Is in the Best Interests of Creditors (Section 1129(a)(7))

7. To the best of my knowledge, information and belief, insofar as I have been able to ascertain after reasonable inquiry, I believe that the Plan satisfies the “best interests” test under section 1129(a)(7) of the Bankruptcy Code for the reasons set forth herein. Based on the Liquidation Analysis, the Plan is in the best interests of creditors because each Class of Holders of Claims and Interests to which such test applies have (a) voted to accept the Plan or (b) will receive a recovery under the Plan that is not less than the recovery that such Class would be expected to receive in a hypothetical chapter 7 liquidation scenario.

8. A&M, at the Debtors’ direction, performed a review of the mortgages relating to the security interests granted to the RBL Secured Parties in Templar’s proved reserves. Based on this review, A&M concluded that the valid and perfected security interests securing the RBL Facility are materially consistent with the security interests provided for in the RBL Credit Documents. I believe that to the extent that any of the Debtors’ assets are unencumbered, the value of such assets does not exceed the amount of any administrative, priority, or other secured claims in these Chapter 11 Cases.

9. I understand that the best interests of creditors test does not apply to Class 1 (Other Secured Claims) and Class 2 (Other Priority Claims) because such Classes are Unimpaired under the Plan. The Wind Down Amount provides sufficient funding to satisfy projected Allowed Class 1 Other Secured Claims and projected Allowed Class 2 Other Priority Claims in a manner consistent with the Plan.

10. Further, it is my understanding that, in order to satisfy the best interests test, the Debtors must demonstrate that each Holder of Claims or Interests in Class 3 (RBL Secured Claims), Class 4 (General Unsecured Claims), Class 5 (Intercompany Claims), Class 6 (Intercompany Interests), Class 7 (Interests in Holdings), and Class 8 (Interests in Holdcorp) has either accepted the Plan or will receive an amount, as of the Effective Date, that is not less than the amount such Holder would receive in a chapter 7 liquidation as of such date.

11. I have been informed that Class 3 has voted to accept the Plan, leaving Classes 4, 5, 6, 7, and 8 as the Impaired Classes deemed to have rejected the Plan. Thus, based on the Liquidation Analysis, the best interests of creditors test has been satisfied with respect to Class 3.

12. Moreover, as set forth in the Liquidation Analysis, Holders in Classes 4, 5, 6, 7, and 8 are expected to receive no recovery under a hypothetical chapter 7 liquidation. Given that the recovery expected to be available to Holders in Classes 4, 5, 6, 7, and 8 under the Plan (0%) is not less than the recovery expected to be available to such Holders in a chapter 7 liquidation (0%), the best interests of creditors test is satisfied with respect to Classes 4, 5, 6, 7, and 8 as well.

C. Feasibility of the Plan (Section 1129(a)(11))

13. The Plan provides for the proceeds of the Plan Administration Assets to be distributed to certain Holders of Allowed Claims in accordance with the terms and conditions of the Plan and the applicable priorities of the Bankruptcy Code, and used to conduct the Wind Down. Based on A&M's analysis, the Debtors expect to have sufficient Cash to ensure that applicable Holders of Allowed Claims receive the Distributions required under the Plan. As a result, the Plan is not likely to be followed by the need for further financial reorganization or liquidation of the Debtors, except as contemplated by the Plan.

14. Accordingly, the Plan is a feasible plan of liquidation, with a reasonable likelihood of success, and is not likely to be followed by a liquidation or need for further financial reorganization of the Debtors (except as contemplated by the Plan) in the foreseeable future.

[Remainder of page intentionally left blank]

In accordance with 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.

Dated: July 9, 2020

ALVAREZ & MARSAL NORTH
AMERICA, LLC

/s/ Steven P. Coverick

Steven P. Coverick
Director