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

In re:	§	Chapter 11
GASTAR EXPLORATION INC., *et al.*,[1]	§	Case No. 18-36057 (MI)
Debtors.	§	Jointly Administered

DECLARATION OF KEVIN M. COFSKY,
PARTNER OF PERELLA WEINBERG PARTNERS LP, IN SUPPORT OF THE DEBTORS' OBJECTION TO APPOINTMENT OF AN EQUITY COMMITTEE

I, Kevin M. Cofsky, hereby declare under penalty of perjury as follows:

1. I am a Partner with Perella Weinberg Partners LP ("PWP"), a financial advisory and investment banking firm. PWP or its affiliate, Tudor Pickering Holt & Co Advisors LP (formerly known as Tudor, Pickering, Holt & Co. Advisors LLC) ("TPH"), have been engaged as the financial advisor to the above-captioned debtors and debtors-in-possession (collectively, the "Debtors") since July 2017. I have been employed by PWP for more than eleven years and have more than twenty years of investment banking experience advising companies, creditors, and significant parties-in-interest regarding capital structure optimization, liability management, and restructuring transactions.

2. I am generally familiar with the Debtors' day-to-day operations, business, and financial affairs. I submit this declaration (this "Declaration") in support of the *Debtors' Objection*

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Gastar Exploration Inc. (1640), and Northwest Property Ventures LLC (8685). The location of the Debtors' service address is: 1331 Lamar Street, Suite 650, Houston, Texas 77010.

to the Emergency Motions to Appoint an Equity Committee of Equity Security Holders Pursuant to 11 U.S.C. § 1102 (the "Objection").[2]

3. The statements in this Declaration are, except where specifically noted, based on my personal knowledge or opinion, or information that I have received from the Debtors' employees or advisors or from employees of PWP and TPH working directly with me or under my supervision, direction, or control. If called as a witness, I would testify competently to the facts set forth in this Declaration.

I. Introduction[3]

4. Prior to entering chapter 11, the Debtors secured fully-committed new money financing of up to $100 million under a debtor-in-possession financing facility (which will ultimately convert to a first lien exit facility) (the "DIP Financing")[4] and negotiated a pre-packaged restructuring that will deleverage their balance sheet, leave operational obligations unimpaired, and facilitate a value-maximizing exit from these chapter 11 cases. The terms of the Debtors' restructuring are embodied in the restructuring support agreement, dated as of October 26, 2018, attached to the First Day Declaration as Exhibit B (the "Restructuring Support Agreement"). The Restructuring Support Agreement is supported by the Debtors' largest (and only) funded-debt creditors and largest common shareholders, certain funds affiliated with Ares Management LLC (collectively, "Ares"). The Debtors completed solicitation of a prepackaged chapter 11 plan

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[2] Capitalized terms used but not otherwise defined herein shall have the meaning given to them in the *Declaration of Michael A. Gerlich, Chief Financial Officer and Senior Vice President of Gastar Exploration Inc. in Support of Chapter 11 Petitions and First Day Motions* [Docket No. 15] (the "First Day Declaration").

[3] A detailed description of the Debtors and their businesses, and the facts and circumstances leading to the Debtors' chapter 11 cases, are set forth in greater detail in the First Day Declaration and the *Declaration of Michael A. Gerlich, Chief Financial Officer and Senior Vice President of Gastar Exploration Inc., in Support of the Debtors; Objection to Appointment of an Equity Committee*, filed contemporaneously herewith (the "Gerlich Declaration").

[4] The DIP facility also contemplates a "roll-up" of $283.9 million of prepetition first lien term loan obligations.

(the "Plan") embodying these terms prior to the Petition Date, with 100% of all impaired creditor classes voting to accept.

5. The terms of the Debtors' restructuring are the product of extensive marketing efforts and negotiations, a substantial portion of which I was directly involved in. The Debtors engaged TPH and PWP in July 2017 and July 2018, respectively, to explore a range of strategic alternatives, including non-core asset sales, equity and debt financing alternatives, and sale or merger transactions involving the Debtors' entire business. After canvassing the market for more than 15 months, I believe that the Restructuring Support Agreement and Plan represent the Debtors' highest and best (and only) path forward. I believe all potentially interested parties have had ample opportunity to propose higher and better transactions—and indeed they may still do so during the first 30 days of these chapter 11 cases. I do not believe that a further, active solicitation of bids would produce different results. In light of the Debtors' severe liquidity constraints, it is clear they have no choice but to move forward with a balance sheet restructuring now.

II. Prepetition Marketing Processes.

A. Financial Responses to the Market Downturn and the 2017 Refinancing.

6. In July 2017, shortly after the closing of a comprehensive refinancing of their balance sheet that closed on March 3, 2017 (the "2017 Refinancing"), the Debtors retained TPH (and later PWP) to assist in their review of strategic alternatives. In September 2017, at the Debtors' request, TPH commenced a process to sell the Debtors' non-core assets outside of the STACK region, *i.e.*, the Debtors' 24,480 gross (24,060 net) acres that were attributable to the West Edmund Hunton Lime Unit ("WEHLU"). The Debtors also instructed TPH to commence a parallel process seeking comprehensive out-of-court merger or sale proposals for the Debtors' entire business. In connection with the WEHLU process, TPH reached out to 150 potential purchasers. In connection with the broader merger and sale process, TPH contacted 42 potential

counterparties. Gastar received eight proposals in connection with the WEHLU process and ultimately closed a sale of the WEHLU assets in February 2018 for a purchase price of $107.5 million, before certain adjustments. The Debtors did not receive any actionable proposals for their entire business during the parallel process.

B. Post-2017 Private Marketing Process.

7. In May 2018, facing an increasingly tight liquidity outlook, and no actionable comprehensive sale, merger, or refinancing options, Gastar's board of directors (the "Board"), began to consider other strategic alternatives. With limited liquidity to fund a long-term drilling program and the inability to further decrease capital expenditures or divest non-core assets to extend Gastar's liquidity runway, it became clear to the Board that it was necessary to pursue a holistic transaction, including potentially through a chapter 11 filing.

8. Prior to commencing these chapter 11 cases, however, the Board determined to go to the market once more to solicit comprehensive out-of-court merger, sale, financing, and refinancing proposals. In June 2018, PWP and TPH began contacting potential financial investors, many of whom had been contacted during the 2017 process and some of whom were existing holders of the Debtors' common or preferred equity. In parallel with these renewed marketing efforts, the Debtors also began discussions with Ares regarding an Ares-sponsored balance sheet restructuring. On July 20, 2018, Ares filed an updated Schedule 13D with the Securities Exchange Commission attaching a term sheet setting forth proposed terms for a balance sheet restructuring. On July 23, 2018, the Debtors publicly disclosed that the Board had formed a special committee to consider strategic alternatives and that the Debtors were considering the proposed Ares terms as well as considering other strategic alternatives. The Debtors and Ares negotiated the terms of a restructuring over the following three months, during which time the terms evolved significantly

from those initially proposed by Ares, including significant financial concessions on the part of Ares.

C. Pursuit of a Public Process.

9. On August 1, 2018, after an extensive private marketing process, the Debtors issued a press release informing the market that it was embarking on a public process to try to address the Debtors' balance sheet and liabilities. The press release specifically stated that the Debtors were "considering potential strategic transactions, including financing, refinancing, sale, or merger transactions, and is encouraging proposals from existing stakeholders and interested third-parties." On August 21, 2018, the Debtors distributed a process letter inviting proposals and informing the public of the process by which any interested party could participate and submit a proposal. The Debtors directly distributed the process letter initially to 95 potential financial and strategic investors and to an additional 17 potential financial and strategic investors over the following two weeks. The process letter, established the deadline to submit bids as October 1, 2018 (the "Bid Deadline"). Of the 112 parties contacted in connection with the public process, 30 executed nondisclosure agreements, and 12 participated in management presentations. No party indicated that the make whole or yield protection amounts that may be due to Ares upon a restructuring or refinancing of the Debtors' outstanding debt in any way deterred them from submitting a proposal in the Debtors' public process.

10. The Debtors received three proposals from strategic investors (the "Bidders") by the Bid Deadline, none of which were actionable. Each of these proposals included a material component of non-cash consideration, required Ares to accept a minority equity stake in a post-transaction entity, and was contingent on a fundamental restructuring of the Debtors' balance sheet, including the restructuring or elimination of the Ares debt and cancellation of the Debtors' preferred equity prior to or contemporaneously with a business combination. Ares indicated that

they were not willing to support the three proposals received, and this fact informed the Debtors' view that the proposals were not actionable. Ultimately, the Debtors determined that none of these proposals presented an actionable proposal. Indeed, the Debtors did not receive a single actionable proposal for a comprehensive transaction in more than 15 months of marketing efforts that presented an actionable alternative. The Debtors provided feedback to the Bidders, who declined to amend or revise their bids, leaving the Debtors with no bids sufficient to repay in full the Ares debt or in a manner which Ares otherwise found acceptable.

D. Equity Holder Outreach and Communications.

11. In the months preceding the Bid Deadline, the Board received communications from equity holders, including written correspondence from common shareholders Fir Tree Capital Management LP ("Fir Tree") and York Capital Management Global Advisors, LLC ("York") and preferred shareholder Aedes LLC ("Aedes") (either directly or through their respective legal counsel). The Debtors explicitly encouraged Fir Tree, York, and Aedes on multiple occasions (including in writing) to participate in the ongoing marketing process and directed them to the process letter. Despite these multiple invitations, none of Fir Tree, York, or Aedes—or any other common or preferred shareholder—participated in the Debtors' process. To date, the Debtors have not received any actionable restructuring proposals from existing equity holders.

12. I believe that each of Fir Tree and York have the financial wherewithal to finance a transaction to the extent they truly believed the value of the Debtors exceeds the amount of the Ares funded-debt obligations. Indeed, it is my understanding that Fir Tree and York together have over $30 billion under management. Neither has elected to do so.

E. Entry into the Restructuring Support Agreement.

13. Through extensive, arm's-length negotiations, the Debtors and Ares agreed to the terms of the restructuring set forth in the Restructuring Support Agreement. In light of the results

of their public marketing process, and facing a dire liquidity outlook, the Debtors ultimately determined that the restructuring negotiated with Ares—which contains a number of valuable concessions by Ares and contemplates fully committed funding to facilitate the Debtors' restructuring and emergence from chapter 11—was the only viable path forward. The Debtors and Ares executed the Restructuring Support Agreement on October 26, 2018 and launched solicitation of the Plan shortly thereafter.

14. Notably, at all times during the private and public processes described above, Ares encouraged and directed interested parties to engage in the Debtors' process. I do not believe that Ares exerted any improper influence on the Debtors' marketing efforts. While the Ares Form 13D filed on July 20, 2018 provided a baseline for negotiations regarding the balance sheet restructuring contemplated by the Restructuring Support Agreement, I do not believe that filing chilled participation in the Debtors' public marketing process. As a practical matter, any proposal would have to address—at a minimum—the Debtors' approximately $446.4 million in secured funded debt. Moreover, Ares consistently indicated to me that its clear preference was to effect a sale or refinancing rather than a restructuring.

15. Based on the Debtors' efforts over the past 15 months, I am confident that the Restructuring Support Agreement and Plan represent the highest and best alternative available to the Debtors. I do not believe that any further marketing of the Debtors' business or elongation of the process would lead to a different result at this time. Despite the extensive efforts already undertaken, no party has submitted a bid that would indicate holders of existing equity interests in Gastar are entitled to a recovery under the Plan. Moreover, the Restructuring Support Agreement and Plan will allow the Debtors to swiftly emerge from chapter 11 with a capital structure that is both feasible and will facilitate additional capital investment. Parties, including Fir Tree, York,

and Aedes, still have 30 days from the Petition Date to make higher and better proposals. Although we are not affirmatively marketing during this 30 day postpetition period, this is an appropriate course of action in light of our extensive marketing, during which we contacted many prospective investors on multiple occasions. To initiate yet another marketing process and outreach to external parties would serve no purpose and would cause the Debtors to incur additional costs. Based on the foregoing, I believe that all interested parties had and continue to have ample opportunity to participate in the Debtors' restructuring and there is no need for a further proactive marketing process or a longer than proposed confirmation timeline.

III. DIP Financing Marketing Processes.

16. In addition to the Debtors' broader restructuring negotiations and marketing efforts, PWP and TPH conducted an extensive marketing process to determine the availability and terms of other potential debtor-in-possession funding sources. PWP and TPH contacted 21 potential investors and interested parties that PWP and TPH determined could have the interest and financial wherewithal to fund a debtor-in-possession financing facility of the type and size of the DIP Financing. Each of these potential investors declined the opportunity to provide alternative debtor-in-possession financing. In light of the Debtors' approximately $446.4 million in outstanding principal amount of prepetition secured debt and the fact that Ares had expressed both its interest in providing debtor-in-possession financing and its objection to any third-party "priming" debtor-in-possession financing, no parties that PWP and TPH contacted were interested in providing junior debtor-in-possession financing or investing the time and cost necessary to provide debtor-in-possession financing on a nonconsensual, priming basis (without a material work fee prior to evaluating the opportunity). No party contacted expressed a view that the Debtors had sufficient unencumbered assets to secure the required level of financing or that the value of the Debtors assets was high enough to support the required level of financing on a junior basis.

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: November 5, 2018

/s/ Kevin M. Cofsky
Kevin M. Cofsky
Partner
Perella Weinberg Partners LP

Certificate of Service

I certify that on November 5, 2018, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Matthew D. Cavenaugh
Matthew D. Cavenaugh