

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Attached.

Blank lined area for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See Attached.

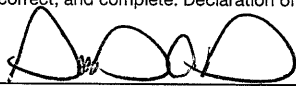
Blank lined area for providing information on resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attached.

Blank lined area for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ 

Date ▶ 4/29/19

Print your name ▶ Scott A Henry

Title ▶ Chief Accounting Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Westmoreland Coal Company
Attachment to Form 8937
Report of Organization Actions Affecting Basis of Securities

The information contained in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account any shareholder's or note holder's specific circumstances (including holders that may be subject to special tax rules or that held the relevant claims or equity interests as other than a capital asset). Shareholders and note holders are urged to consult their own tax advisors regarding U.S. tax consequences of the transaction described herein and the impact to tax basis resulting from the transaction.

Form 8937, Part I, Lines 9 -13

Classification and Description (Line 9)	CUSIP Number (Line 10)	Serial Number (Line 11)	Ticker Symbol (Line 12)	Account Number (Line 13)
8.75% Senior Secured Notes due 1/1/2022 of Old Westmoreland	960878AB2	N/A	N/A	N/A
First Lien Term Loan due 12/16/2020 of Old Westmoreland	N/A	N/A	N/A	N/A
DIP Facility of Old Westmoreland	N/A	N/A	N/A	N/A
New Common Shares	N/A	N/A	WLBAQ	N/A
New First Lien Term Loan	N/A	N/A	N/A	N/A
New Second Lien Term Loan	N/A	N/A	N/A	N/A

For a description of the Claims against Old Westmoreland (as defined below) and certain of its wholly and partially-owned subsidiaries, please reference the Plan and Disclosure Statement (each as defined below).¹

Form 8937, Part II, Line 14

On October 9, 2018, Westmoreland Coal Company (“Old Westmoreland”) filed a voluntary petition for relief (“Bankruptcy Filing”) under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (“Bankruptcy Court”). On March 2, 2019, the Bankruptcy Court entered an order pursuant to the Bankruptcy Code, which approved and confirmed the Debtors’ Amended Joint Chapter 11 Plan, as amended and supplemented (the “Plan”). On March 15, 2019, Old Westmoreland satisfied certain conditions of the Plan and the Plan Effective Date occurred.

On the Plan Effective Date, Westmoreland Mining Holdings LLC (“New Westmoreland”), a newly-formed Delaware limited liability holding company, acquired certain Old Westmoreland assets in exchange for the issuance by New Westmoreland of (a) its shares (the “New Common Shares”), (b) a new \$110 million first lien term loan facility (the “New First Lien Term Loan”) and (c) a new \$290 million second lien term loan facility (the “New Second Lien Term Loan” and, collectively with the New Common Shares and New First Lien Term Loan, the “Consideration”).

On the Plan Effective Date, holders of certain Claims against Old Westmoreland received the Consideration and other recoveries set forth in the Plan and the Disclosure Statement for Joint Chapter 11 Plan of Westmoreland Coal Company and Certain of its Debtor Affiliates filed on 12/14/2018 (the “Disclosure Statement”). In particular:

- a. Holders of DIP Facility Claims received their Pro Rata share of the New First Lien Term Loan in satisfaction of their Claims.
- b. Holders of First Lien Secured Claims received their Pro Rata share of (a) the New Common Shares, (b) the New Second Lien Term Loan, and (c) Cash proceeds from certain transactions in satisfaction of their Claims.

The potential U.S. federal income tax consequences of the implementation of the Plan to certain holders of Claims in Old Westmoreland (including those holders whose basis in their Claims may have “carried into” their basis in the Consideration received because of the potential application of certain nonrecognition rules) is described below.

Form 8937, Part II, Line 15

¹ Capitalized terms used and not defined herein shall have the meaning ascribed to them in the Plan or Disclosure Statement, as applicable.

As further described in Article IX of the Disclosure Statement, in general, the U.S. federal income tax treatment of holders of Claims will depend, in part, on whether the receipt of consideration under the Plan qualifies as an exchange of “stock or securities” pursuant to a tax-free reorganization or if, instead, the consideration under the Plan is treated as having been received in a fully taxable disposition. Whether the receipt of consideration under the Plan qualifies for reorganization treatment will depend on, among other things, (a) whether the Claim being exchanged constitutes a “security” and (b) whether the debtor against which a Claim is asserted is the same entity that is issuing the consideration under the Plan.

Exchange of DIP Facility Claims for the New First Lien Term Loan:

- a. The Company expects that the distribution by Old Westmoreland of the New First Lien Term Loan in satisfaction of DIP Facility Claims will be treated as a taxable disposition pursuant to Section 1001 of the Internal Revenue Code of 1986, as amended (the “Code”).
- b. A holder of DIP Facility Claims should take an aggregate tax basis in its Pro Rata share of the New First Lien Term Loan received equal to the fair market value of the DIP Facility Claim exchanged. The holding period for such consideration should begin on the Plan Effective Date.

Summary of Exchange of DIP Facility Claims for New First Lien Term Loan and the Respective Exchange Ratio:

Issuer	Security Description	CUSIP	Rate of New First Lien Term Loan Value per \$1,000 Principal Amount
Old Westmoreland	Dip Facility of Old Westmoreland	N/A	\$1,000

Exchange of First Lien Secured Claims for New Common Shares, New Second Lien Term Loan, and Cash:

- c. The Company is taking the position that, collectively with certain other transactions undertaken on the Plan Effective Date, the distribution by Old Westmoreland of New Common Shares, New Second Lien Term Loans, and Cash in satisfaction of First Lien Secured Claims will qualify as a reorganization under Section 368(a)(1)(G) of the Code.
- d. If such is the case, a holder of First Lien Secured Claims should take an aggregate tax basis in its Pro Rata share of the New Common Stock and New Second Lien Term Loan received, other than with respect to any amounts received that are attributable to accrued but unpaid interest (or OID), and subject to the rules relating to market discount, equal to (a) the tax basis of the Claim surrendered, less (b) the Cash received plus (c) gain recognized (if any). The holding period for such non-Cash consideration should include the holding period for the exchanged Claims.
- e. The Company does not have any information with respect to any such holder’s tax basis or holding period in their First Lien Secured Claims.
- f. The Company is taking the position that each of the First Lien Secured Claims and the New Second Lien Term Loan qualifies as a security for U.S. federal income tax purposes.

Summary of First Lien Secured Claims Exchange for New Common Shares, New Second Lien Term Loan, and Cash in the Reorganization and the Respective Exchange Ratios:

Issuer	Security Description	CUSIP	Total Recovery Per \$1,000 of Pre-petition Debt
Old Westmoreland	8.75% Senior Secured Notes due 1/1/2022	960878AB2	\$554.37
Old Westmoreland	First Lien Term Loan due 12/16/2020	N/A	\$543.57

Form 937, Part II, Line 16

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how you should determine the fair market values of the New Common Shares, New First Lien Term Loans, or New Second Lien Term Loans for purposes of allocating your tax basis, but generally, parties rely on the “issue price” of a debt instrument to ascertain its fair market value. To the best of the Debtors’ information, no actual trades occurred with respect to the New Common Shares, New First Lien Term Loans, or New Second Lien Term Loans. Given the lack of trading or firm quotes and the minimal level of indicative quotes, the Company has determined that the New First Lien Term Loans and New Second Lien Term Loans were issued at par. Based on a valuation analysis performed by New Westmoreland’s advisors, the total value of the New Common Shares was \$76,100,000. You should consult your tax advisor to determine what measure of fair market value is appropriate. Holders of New Common Shares, New First Lien Term Loans, and New Second Lien Term Loans are not bound by the approach illustrated above for purposes of basis allocation (although New Westmoreland’s determination of the issue prices of the New First Lien Term Loan and New Second Lien Term Loan do bind holders unless they specifically disclose an alternative approach when filing their tax return).

Exchange of DIP Facility Claims for the New First Lien Term Loan:

- a. Assuming that the distribution by Old Westmoreland of the New First Lien Term Loan in satisfaction of DIP Facility Claims will be treated as a taxable disposition pursuant to Section 1001 of the Code, a holder of DIP Facility Claims will have tax basis in its Pro Rata share of the New First Lien Term Loan determined in the manner specified above.

Exchange of First Lien Secured Claims for New Common Shares, New Second Lien Term Loan, and Cash:

- a. Assuming the Reorganization qualifies as a reorganization under Section 368(a)(1)(G) of the Code, a holder of First Lien Secured Claims will have tax basis in its Pro Rata share of New Common Shares and the New Second Lien Term Loan determined in the manner specified above.
- b. Holders of First Lien Secured Claims receiving New Common Stock and New Second Lien Term Loans will need to compute the fair market value of the New Common Stock and New Second Lien Term Loans. Such holders will then allocate tax basis according to the percentage of value attributed to the New Common Stock and the percentage of value attributed to the New Second Lien Term Loans.
- c. Holders of First Lien Secured Claims should discuss reasonable valuation methods with their tax and other advisors.
- d. As of the Effective Date, it is anticipated that the New Common Shares and New Second Lien Term Loans will be transferrable.

Form 8937, Part II, Line 17

The tax treatment is based on the following Code sections and subsections:

Sections 166, 354(a), 356, 358, 368(a)(1)(G), 1001, 1273, 1274

Form 8937, Part II, Line 18

If the receipt of consideration under the Plan qualifies as an exchange of stock or securities pursuant to a tax-free reorganization for U.S. federal income tax purposes, no loss can be recognized.

If the receipt of consideration under the Plan does not qualify as an exchange of stock or securities pursuant to a tax-free reorganization for U.S. federal income tax purposes, such receipt may result in a loss to a holder in an amount generally equal to the excess (if any) of the holder's adjusted tax basis in its Claim in Old Westmoreland over the fair market value of the consideration received under the Plan.

If no consideration is received under the Plan, equity holders may be entitled to a worthless stock deduction.

Form 8937, Part II, Line 19

The reportable tax year is 2019 with respect to calendar year taxpayers.