UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re: **PATRIOT COAL CORPORATION, *et al.*,** **Debtors.**	**Chapter 11** **Case No. 12-51502-659** **(Jointly Administered)** **Objection Deadline:** **April 12, 2013 at 4 p.m. CDT** **Hearing Date:** **April 29 to May 3, 2013 at 10 a.m. CDT** **Hearing Location:** **Courtroom 7 North**

DECLARATION OF PERRY MANDARINO IN OPPOSITION TO THE DEBTORS' MOTION TO REJECT COLLECTIVE BARGAINING AGREEMENTS AND TO MODIFY RETIREE BENEFITS PURSUANT TO 11 U.S.C. §§1113 AND 1114

Perry Mandarino declares pursuant to 28 U.S.C. §1746:

1. PricewaterhouseCoopers LLP ("PwC") was retained on or about September 19, 2012 by the United Mine Workers of America ("UMWA") as an expert advisor with respect to the UMWA's interests in the Chapter 11 cases of Patriot Coal Corporation ("Patriot", the "Company" or the "Debtors"). PwC is compensated on a fixed monthly basis of $75,000 and has the right to request an additional fee (the "Restructuring Fee") at the end of the engagement. I make this declaration in opposition to the Debtors' proposed motion to reject collective bargaining agreements and to modify retiree benefits pursuant to 11 U.S.C. §§1113 and 1114. This declaration is based upon my own personal knowledge, my review of the record in this matter, published materials in the field of my expertise and my professional opinion. I am competent to testify to all facts contained in this declaration.

I. Qualifications:

2. My work experience includes the following: I am a Partner in the New York office of PwC and the U.S. Business Recovery Practice Leader for the firm. I have been employed by PwC since 2009. I have over 25 years of experience in the area of financial restructuring, bankruptcy and reorganizations and have been involved in more than 300 cases both in and out of Chapter 11. Prior to my work at PwC, I was employed as Senior Managing Director at Traxi LLC and was a partner in the Corporate Restructuring and Global Corporate Finance group of Arthur Andersen LLP as well as a Managing Director in the restructuring group of the investment banking firm now known as Berenson & Company.

3. I have served as an advisor to a variety of clients including debtors, creditors' committees, secured lenders and investors in the following areas: financial analysis, debt restructuring, overseeing asset sales, cash flow analysis, turnaround and strategic planning, and business plan and reorganization plan analysis and preparation. I have served as a Chief Restructuring Officer for Hoop Holdings, LLC (d/b/a/ The Disney Stores), The MIIX Group and Kara Homes. I was also appointed as Examiner by the Office of the United States Trustee for Region Three in the following cases: Polaroid Corporation (District of Delaware, Case No. 01-10864 (PJW)) and Summit Global Logistics (District of New Jersey, Case No. 08-11566 (DHS)

4. The following includes my educational background and professional associations: I have a Bachelor's degree in Accounting from Seton Hall University. I am a certified public accountant in the State of New Jersey. My professional memberships include the AICPA, the New Jersey Society of Certified Public Accountants, and the American Bankruptcy Institute.

5. I have been qualified to testify as an expert under the Federal Rules of Evidence over 20 times since 1995, in the United States Bankruptcy Courts for the District of Delaware,

Southern District of New York, and District of New Jersey, all in the field of financial analysis and restructuring. I have never been proffered as an expert and not qualified as such by the court.

6. My curriculum vitae is Attachment A hereto.

7. In my research, analysis and diligence for the UMWA I have relied upon my own professional experience, as well as that of my colleagues at PwC, public filings, industry knowledge obtained from published reports, information provided by or on behalf of the Debtors, and meetings and calls with members of the Debtors management team, their advisors and legal counsel. All of the sources upon which I have relied in preparing this declaration are listed in Appendix B hereto.

II. Summary of Opinion

8. Patriot's §§1113 and 1114 Proposal (the "Proposal") seeks a permanent solution to a temporary problem by seeking concessions from active employees and retirees in excess of the level required for the Company to emerge and operate as a viable, adequately-capitalized business. Patriot's proposals are also inequitable to UMWA members and retirees because they seek to impose a disproportionate share of the sacrifices of Chapter 11 upon this constituency. Patriot has not provided complete, material information or support for its assertions and opinions. Finally, there are additional cash savings that Patriot has failed to recognize or achieve, making the Debtors' demands of the UMWA and its retirees even more unreasonable.

9. The following key points from the Debtors' business plan demonstrate the lack of necessity for the concessions and the inequities in Patriot's Proposal:

a. Patriot forecasts it [redacted] in the three years following emergence from bankruptcy. The UMWA, the principal stakeholder whose concessions contribute to the majority of the profit, receives [redacted]--in return during the period 2013 to 2016.

b. The coal pricing assumptions used by Patriot in the Five-Year Business Plan are, [redacted], conservative and [redacted] Applying coal prices closer in line with industry guidance generates [redacted]. Because a high percentage of Patriot's costs are fixed, a significant amount of this incremental revenue would translate to an increase in profitability, thereby reducing the level of concessions sought from the UMWA.

c. There are approximately [redacted] for the years 2013-2016 not contemplated in the Debtors' Proposal that would allow the Debtors to achieve the same level of profitability as they currently seek, while reducing the unfair burden on the UWMA.

d. Patriot's Proposal seeks to generate enterprise value by reducing the standard of living for workers and retirees that have been and continue to be the source of productive value for Patriot. Patriot has been steadfast in its refusal to discuss any equitable return of concessions once the Company returns to a reasonable level of profitability, despite its forecast that the market forces which triggered the Company's bankruptcy filing subside as early as 2014.

10. The UMWA has engaged in comprehensive discussions with Patriot and its advisors, The Blackstone Group ("Blackstone") and Alix Partners ("Alix"), to achieve a consensual path to emergence from bankruptcy. Despite these discussions, Patriot refuses to

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[redacted]

address even the most basic tenets of the UMWA's comprehensive restructuring outline ("Restructuring Outline"), simply stating generally that the Restructuring Outline is not "feasible". Patriot has continually refused to (i) offer a counterproposal to the Restructuring Outline; (ii) actively seek recourse from its predecessor company; (iii) develop its own plan of reorganization concept; (iv) provide the UMWA or the Official Committee of Unsecured Creditors (the "Committee") its own outline of a restructuring plan; (v) provide an opinion on the valuation of a reorganized Patriot; (vi) address intercompany issues among Debtors; or (vii) seek potential new investors for Patriot. Patriot's plan continues to seek massive concessions from the UMWA, and eliminating healthcare benefits for approximately 13,000 of its retirees and beneficiaries, while shifting to UMWA the Debtors' burden of valid claims against third parties.

III. Patriot's Business Plan and Concessions Sought; Temporary Nature of Patriot's Crisis

11. In evaluating Patriot's forecasted financial performance and Five-Year Business Plan, PwC analyzed the Debtors' mine-level financial projections, including pricing and production assumptions, operating and corporate expenses, other related cash costs and information relating to pension plans, environmental obligations, healthcare benefits plans, cash management. PwC also analyzed the Company's current and historical financial performance to acquire a deeper understanding of how the Company operated and what, if any, cost savings initiatives were undertaken prior to commencement of the bankruptcy proceeding.

12. As illustrated in the table below the Debtors have overstated the future "savings required." Beginning in 2015, Patriot generates sufficient cash flow and profitability without the concessions demanded of the UMWA and its retirees. Patriot has thus inflated its demand.

[redacted]

13. Debtors contend they require "approximately $150 million in additional annual cash savings if it is to survive" (Huffard Decl. ¶45), an amount above and beyond what is in fact necessary for Patriot to "survive" and to generate positive future cash flows to meet all of its obligations. Patriot's Five-Year Business Plan however forecasts a significant rebound in profitability for 2014, 2015, and 2016, even before accounting for any §§ 1113 and 1114 cost savings.

[redacted]

14. The coal industry is highly cyclical and by the Company's own admission, is currently at the trough of an industry cycle. Patriot's Five-Year Business Plan shows a [redacted][2] and cash flow promptly following its emergence from bankruptcy. The single largest constituency that makes that cash flow and profit possible and whose sacrifices would allow for Patriot's emergence from bankruptcy is the UMWA's active employees and retirees.

15. As they have acknowledged, the Debtors' forecast is [redacted]. If Patriot's view of coal pricing is conservative, it would naturally understate future revenue growth, which would decrease its funding gap. The Debtors' projections therefore seek greater concessions than are necessary to bridge this gap.

[2] For purposes of this declaration, "profit" and "profitability" will refer to the financial metric EBITDA (Earnings Before Interest Taxes and Depreciation). EBITDA is one of the most commonly used indicators of a company's financial performance.

Patriot's Liquidity Squeeze Is Also Temporary

16. The Declaration of Paul F. Huffard (the "Huffard Declaration") also references Patriot's near-term liquidity "needs" and states that [redacted] in 2013 without §§1113 and 1114 savings. Since the start of this bankruptcy case, however, Patriot has consistently understated its projected liquidity position. Since September 2012, the Debtors' liquidity position has consistently been higher than the level set forth in their Five-Year Business Plan, as illustrated in the graph below.

17. The amount of annual savings required from the UMWA and its retirees to maintain at least [redacted] of total liquidity in 2015 is less than the $150 million requested in Patriot's Proposal. The decreasing level of §§1113 and 1114 savings required to maintain Patriot's liquidity over time reflects the temporary nature of the Debtors' current profitability and liquidity crises. Patriot is therefore seeking permanent concessions from the UMWA and its retirees when a temporary solution would be sufficient. See the graph below:

Patriot Is Seeking A Windfall

18. Patriot's §§1113 and 1114 Proposal attempts to capitalize on one of the more difficult operating environments in coal mining history, locking-in a cost structure that allows the Company to reap a windfall of hundreds of millions of dollars of profit when coal prices rebound. While the Five-Year Business Plan forecasts continued near [redacted], the Company expects to generate approximately [redacted] of profit in the first three years following Patriot's emergence from bankruptcy (2014-2016).

19. In sum, the permanent concessions Patriot is seeking from the UMWA not only exceed what is required to help the Company through its [redacted] but are also unnecessary in order for the Company to maintain a long-term competitive cost structure given the robust profit and cash Patriot projects (even with its conservative projections of coal pricing) to generate as early as 2014. In addition, there are up to [redacted] of immediate additional cost savings in 2013 and 2014 alone that Patriot could implement that would reduce the level of concessions requested of the UMWA and alleviate some of the financial strain the Company contends they are currently going through, which are discussed in more detail below.

IV. Equality of Sacrifice and the Inequity of Patriot's Proposals

20. During the pendency of the bankruptcy, Patriot has been selective in its choice from which constituents to seek concessions and which parties should be responsible for the overwhelming majority of savings "necessary" for the Company to survive. Patriot's Five-Year Business Plan forecasts between [redacted] annual cost savings, of which §§1113 and 1114 concessions represent approximately 87% of the annual savings.

21. While seeking approximately $77 million of annual cash savings from UMWA retirees, the plan provides little back to compensate them for their loss of guaranteed healthcare. The savings reflected in Patriot's Five-Year Business Plan allow the Company to generate approximately [redacted] of profit in the three years following emergence from bankruptcy. During the same period, Patriot has proposed to provide the VEBA (as discussed further below) with just over [redacted] in profit sharing. This means Patriot is willing to provide the VEBA with approximately [redacted]

<u>Failure to Seek Concessions From Other Significant Groups</u>

22. Through my review of Patriot's Five-Year Plan and other information provided in the course of negotiations, I have determined that some of the financial challenges which forced Patriot to seek bankruptcy protection are largely the results of its own decisions, including: (i) assuming unprofitable supply agreements which drained the Company of in excess of $500 million from 2007-2010, (ii) maintaining an unbalanced employment structure at the mining complexes and (iii) management's failure to capitalize on cost savings opportunities such as

further headcount reductions, buy-outs of contract operated mines and improving capital spending decisions.

23. In connection with Patriot's spin-off from Peabody, and its 2008 Magnum acquisition, the Company acquired numerous below market sales contracts whereby the coal price stipulated in the acquired contract was lower than the then-current price of coal. As of December 31, 2008 Patriot reported a net liability relating to these below market sales contracts of approximately $641 million[3].

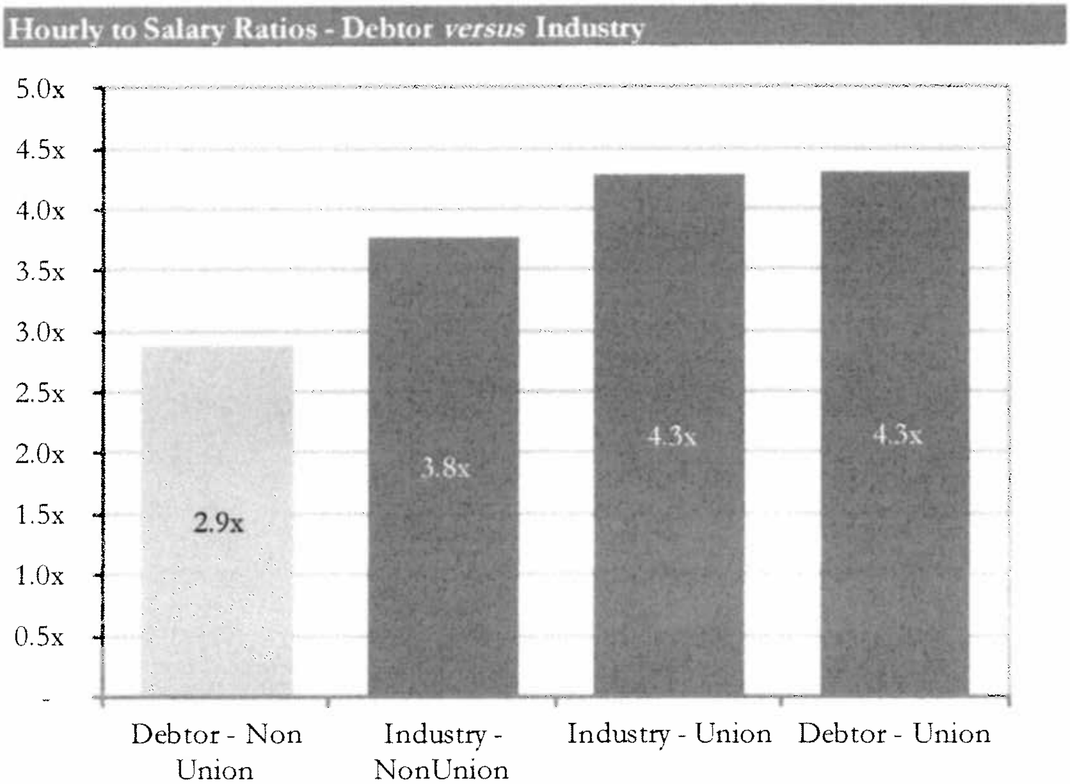
24. In connection with the spin-off from Peabody Coal Co., LLC ("Peabody") in 2007, Patriot and Peabody reached several agreements. One such agreement, the NBCWA Individual Employer Plan Liabilities Assumption Agreement, stipulated that Peabody would agree to assume Patriot's liabilities for provision of retiree healthcare for certain retirees and dependents of Peabody who had a vested right to receive benefits under the applicable collective bargaining agreements as of December 31, 2006, and had retired prior to that date. Peabody guaranteed payment of this obligation and indemnified Patriot against any failure by Peabody Holding to meet its obligations under the agreement.

25. In November 2012, the UMWA brought to Patriot's attention its findings, based upon review of preliminary information provided by Patriot, that the company was incorrectly paying retiree benefits on behalf of a group of approximately 500 retirees for whom Peabody had assumed liability at the time of the spinoff. UMWA pointed out to Patriot that each of the approximately 500 retirees met every definition in the liability assumption agreement of those retirees for whom Peabody was retaining liability, but Patriot had been paying the full cost of those retirees since the spinoff. Until recently, Patriot maintained that responsibility for payment of these benefits had been properly allocated. Based on information provided by Patriot and

[3] Patriot Coal Corp. 2008 10K

several additional discussions with members of Patriot's management team, the UMWA determined that proper allocation of these liabilities in accordance with the spinoff agreement would provide approximately [redacted] of annual savings.

26. Lastly, Patriot continues to run non-union operations with a top-heavy management structure. A comparison of the ratio of hourly employees-to-salaried workers depicts staffing ratios not only significantly less favorable to those of union operations, but also well below industry standards. The UMWA has pointed out to Patriot that it operates its non-union mines with a top-heavy management structure. Based on data provided by the debtor, PwC calculated the ratio of hourly workers to supervisors at the UMWA-represented mines to be 4.3 hourly workers per supervisor, a level consistent with industry norm. At Patriot's non-union mines, Patriot employs one supervisor for every 2.9 hourly employees, a significantly higher number of supervisors per hourly worker than its union mines. To compare Patriot's practices to the coal industry as a whole, PwC reviewed the U.S. Coal Mine Salaries, Wages & Benefits 2012 Survey published by Infomine, USA. The report showed that the average union mine reported ratios of 4.3 hourly workers for each supervisor, in line with Patriot's UMWA operations. The average non-union mine in the survey reported a ratio of 3.8 hourly workers per supervisor, lower than the union average, but significantly higher than Patriot at its non-union operations. This comparison shows that Patriot's supervisory ratio at its non-union operations is well below industry norms while its ratio at UMWA operations is in line with industry norms.



27. Based on Patriot's compensation structure, Patriot can achieve approximately $15 million of annual savings by bringing staffing ratios of supervisors to miners at non-union operations in line with those at union operations. I have been informed that the UMWA, on several occasions, alerted Patriot's management to this disparity recent months, but to the best of my knowledge, Patriot has refused to address this potential savings opportunity.

Additional Cost Savings Opportunities

28. While the Debtor reports that it has achieved over $1 billion in non-union cash savings, I note that [redacted] of these savings are related to debt service and interest payments stayed as a result of the Chapter 11 filing. Conversely, the Debtor is requesting sacrifices to be made by the UMWA members and its retirees which materially reduce the employees and retirees standard of living. Excluding the payment of unsecured debt service and

the ordinary contract rejections, the actual cash savings achieved by the Company is approximately [redacted], a substantial reduction from the claimed amount.

29. Patriot's assertion it "has identified and factored into its Five-Year Business Plan all feasible non-union cost savings that could materially improve Patriot's financial condition" (Huffard Decl. ¶45) is not accurate. While the Debtors have undertaken a number of initiatives to reduce their operating cost structure, I believe there are several additional measures that, if implemented, could provide up to [redacted] of additional cost savings and reduce the concessionary demands of the UMWA during the years 2013-2016. These savings consist of: (i) elimination of management bonuses [redacted], (ii) improvement in staffing ratios [redacted], (iii) deferral and reduction of capital expenditures [redacted] and (iv) elimination of "cushion" included in Patriot's Five-Year Business Plan" [redacted].

30. Patriot's Five-Year Business Plan includes approximately [redacted] of post-emergence bonuses and incentive compensation payments to Patriot's management team between 2013 and 2016. During this same period, the Company proposes to implement a permanent reduction of wage and benefit levels for active employees and terminate retiree benefits for UMWA-represented retirees. As such, Patriot is essentially proposing to use a portion of the cash savings they obtain from the §§1113 and 1114 Proposal to pay future bonuses to management.

31. Patriot also has potential capital expenditure savings accessible in order to improve the Debtors' self described current liquidity short-fall. Aside from necessary and government regulation-required capital expenditure costs, there are approximately [redacted] of yearly discretionary capital expenditure costs forecasted in the near future that may be reduced or postponed until the liquidity crisis has abated.

32. Totaling all savings referenced previously and shared with the Debtor in the UMWA Counterproposal, in the aggregate these cash savings available to the Debtors comprise approximately $707 million. The total value and impact of the savings that can be achieved from these various sources are significant and will improve Patriot's profitability and liquidity in the present and in the near future.

V. UMWA Proposed Concessions

33. The UMWA made three, separate, increasingly sacrificial proposals to the Debtors that [redacted] provide the relief necessary to emerge from bankruptcy as a viable, well-capitalized business. The UMWA Counterproposal provides Patriot with more than $300 million of total savings for the years 2013 and 2014, "the Company's most difficult years" (Huffard Decl. ¶84) through a combination of (a) business plan cost reductions, (b) wage modifications, (c) work rule changes and (d) increased profitability resulting from incremental production. The UMWA Counterproposal would allow the Debtors to achieve a comparable (and in certain years higher) level of profitability than sought in their own §§1113and 1114 proposals and provide the Debtors with a higher near-term liquidity position than forecasted in the Five-Year Business Plan.

34. The Huffard Declaration asserts that the UMWA Counterproposal "only [provides] $18 million of total savings for the years 2013 and 2014" (Huffard Decl. ¶84). This quantification grossly understates the true value of cost savings proposed by the UMWA and even undervalues several savings elements calculated and proposed by the Debtors themselves. The UMWA Counterproposal includes several modifications and concessions, the amounts of which were calculated by the Debtors, and other related savings quantified based on information provided to the UMWA and their advisors directly from the Debtors' management.

35. One of the factors Blackstone claims to have considered in determining the appropriate level of union active labor and retiree healthcare savings was "the Company's ability to achieve approximately breakeven cash flows immediately after emergence from bankruptcy" (Huffard Decl. ¶46). The March 27, 2013 UMWA Counterproposal provides approximately $55 million of immediate cash savings in the second half of 2013. Additionally, the UMWA counterproposal provides for an emergence from bankruptcy six months earlier (in June 2013)

than contemplated in the Debtors' Proposal, which, when combined with the immediate cash savings offered by the UMWA, would provide the Debtors with a liquidity position approximately $21 million higher than the 2013 year end amount forecasted in the Debtors Five-Year Business Plan.

36. Another key factor Blackstone considered in determining the level of concessions was "the Company's ability to generate sufficient future positive cash flow to be able to refinance its debt obligations" (Huffard Decl. ¶46). Patriot's Five-Year Business Plan forecasts [redacted]. If the UWMA's proposal was accepted, Patriot would generate approximately $310 million of free cash flow for the combined years 2015 and 2016, [redacted]. Most importantly, by 2016, Patriot's cash flow is more than sufficient to allow for a restoration of wages to pre-§1113 levels - a concept the Debtors have rejected out of hand.

[redacted]

Equitable Return of Concessions, or "Snap-Back"

37. The UMWA Counterproposal seeks to provide Patriot with the necessary but temporary savings required to withstand its self-described liquidity crisis until it returns to profitability and the normal liquidity condition [redacted]. Conversely, I have been informed that the UMWA is not willing to provide permanent concessions that allow the Company to profit unfairly from the sacrifices of its members and retirees. This situation justifies a "snap-back" of the concessions, that is, a definite and scheduled return to normal compensation when normal conditions resume. A snap-back still allows the Company to maintain positive liquidity and profitability in the near future while reducing the risk of a second insolvency proceeding.

38. The UMWA Counterproposal provides for an equitable return of concessions when Patriot's performance no longer necessitates or justifies continued wage reductions or

changes to working conditions. The Debtors' argument that this provision is "problematic" (Huffard Decl. ¶88) is inaccurate. First, as referenced earlier, the Debtors' Five-year Business Plan shows [redacted]. By 2016, Patriot is forecasted to generate [redacted]. An equitable return of concessions to the terms and conditions of the then-current collective bargaining agreements (or terms and conditions of employment) would impact Patriot's profitability by approximately [redacted] a year. Thus, Patriot would be able to afford an equitable return of concessions as quickly [redacted] from bankruptcy without jeopardizing the Company's financial position. Such an adjustment of concessions would equate to less than [redacted], and have a *de minimis* impact on Patriot's overall level of profitability at their forecasted levels.

39. Secondly, based on my professional experience in this and other restructurings, it is my opinion that this would not deter prospective lenders or investors from pursuing an investment in Patriot because any return of concessions in the amount contemplated in the UMWA Counterproposal is timed to coincide with improved performance and, therefore, would not tectonically change Patriot's cost structure or compromise Patriot's ability to "service its expenses and interest costs post-emergence" (Huffard Decl. ¶47). Restoration of concessions is timed to coincide with a return to profitability and to positive cash flow - thus making restoration concurrent with achievement of the very things that investors wish to see.

40. Patriot's refusal to even discuss the concept of an equitable return of concessions underscores the fundamental unfairness of its proposals. Rather than return some of the [redacted] to the workers and retirees whose

concessions and sacrifices will have allowed for a successful emergence from bankruptcy, Patriot has elected to use the windfall of profit and cash the UMWA active workers and retirees helped create and to divert those profits to the management team in the form bonuses and other emoluments. Patriot also insists that the concessions remain in place through 2018, years after the liquidity crisis is over. No justification has been proffered for concessions in 2017 or 2018.

41. The Debtors have stated on numerous occasions that~~,~~ without defined labor costs a successful Plan of Reorganization would not be possible. The UMWA is willing to provide certitude to any potential new money plan sponsor. Patriot refuses to accept the UMWA's calculations and valuation of the relief it would make available Patriot.

VI. <u>Patriot's §1114 Proposal</u>

42. Despite the Debtors' statement that "the [Debtors' proposed] VEBA would provide meaningful health benefits to Patriot's unionized retirees[4]" the Debtors' proposal contemplates creating a VEBA that cannot meet its obligations from the outset. The Debtors' §1114 Proposal for funding the VEBA is illusory, and in fact, the VEBA appears to be so insolvent from the outset it could never meet the §1129(a)(11) and (13) standards for feasibility at confirmation unless the Court were to treat retiree medical claims substantially worse than contemplated by §1114, effectively by substantially eliminating the claims.

43. The VEBA is unable to provide *any* benefits to retirees due to the total proposed cash funding of [redacted] based on the business plan projections[5]. The amount of funding in the Debtors' proposal provides a *de minimis* amount of cash which is not sufficient to fund

[4] Memorandum of Law in support of the Debtors' Motion To Reject Collective Bargaining Agreements And To Modify Retiree Benefits Pursuant To 11 U.S.C. §§ 1113, 1114

[5] Amount does not include any proceeds from the monetization of any potential unsecured claim, which even the Debtors admit "is still too early in these cases to determine how much cash the UMWA will be able to generate of this unsecured claim." (Huffard Decl. ¶69)

uninterrupted coverage for three months. Beyond this timeframe, the Debtors' proposal relies on the potential monetization of an unsecured claim with highly uncertain realizable value.

44. The proposed funding to the VEBA contemplated by the Debtors is substantially lower than VEBAs established in connection with recent large bankruptcies (see chart below).

45. The Debtors' §1114 Proposal contemplates providing the VEBA with three sources of funding. This includes (i) a $15 million lump-sum cash payment to the VEBA in July 2013, (ii) a profit sharing arrangement commencing in 2014, and (iii) an unsecured claim against Patriot's estate which "could take the form of equity in the emerging enterprise.[6]" As illustrated below, according to the business plan projections prepared by Patriot, the VEBA would only

[6] Memorandum of Law in Support of The Debtors Motion to Reject Collective Bargaining Agreements and To Modify Retiree Benefits Pursuant to 11. U.S.C. §1113,1114 (page 52)

have sufficient capital to be able to provide benefits for potentially two to three months, excluding any proceeds provided by the unsecured claim.

46. Even this projection is overly optimistic. As discussed in Elliot Cobin's declaration, the Debtors have materially understated the true amount of the retiree medical liabilities they are attempting to transfer to the VEBA. After conducting a detailed diligence process, the UMWA estimates the actual retiree medical liability is approximately $1.8 billion compared to the Debtors' estimate of $1.45 billion. Regardless of the size of the liability, each of the three sources of value the Company included in the §1114 Proposal are inadequate to fund any material benefit to retiree claims.

Lump Sum Cash Payment

47. The $15 million lump-sum cash payment does not allow the VEBA to provide for any level of benefits to retirees, in either the short or long-term. First, the company's own business plan and forecast reveal that there are [redacted] of average annual cash costs between

2014 and 2016 associated with the retiree benefits the Company is proposing to put into the VEBA. A contribution of $15 million would cover only three months worth of retiree benefit payments and represents approximately [redacted] percent of the total liability of the VEBA.

Profit Sharing Arrangement

48. Besides an initial cash contribution of $15 million, the Debtors' proposal contemplates a profit sharing arrangement that would provide $[redacted] in the aggregate over a three year period, compared with obligations of $[redacted] over the same period. Any profit-sharing contribution would be payable in [redacted] following the Debtors' proposed emergence from bankruptcy. To be clear, no payments beyond the initial cash contribution would be received in [redacted]. Realistically, the profit-sharing payment may not even come to fruition because the VEBA would likely fail well in advance of [redacted] due to lack of sufficient capital under the Debtors' Proposal. The funding contemplated by the Debtors is thus inadequate. The Debtors are attempting to shed this responsibility and to force the UMWA to pursue litigation against third parties to fund the retiree benefits.

49. The profit sharing mechanism is structured in such a way that the Company would have to reach an increased level of profitability in order for even a nominal amount of money to be available for distribution to the VEBA. The minimum level of net income earned in order for the profit sharing arrangement to take effect is $[redacted] for 2014 and 2015, respectively. The Debtors established a threshold net income level for 2014 and 2015 above the levels set forth in their own business plan. The Company's business plan, upon which the §1114 proposal was based, forecasts net income to be negative $[redacted], which are both below the minimum threshold.

50. By Patriot's own admission, the profit sharing arrangement for 2014 and 2015 is immediately "under water" and the Company will need to significantly exceed its forecasted results in order to even get to the point where profit can be shared. With the minimum profit sharing level set at $[redacted] in those respective years, net income would have to increase by $[redacted] in 2014 versus the projected business plan levels, and $[redacted] in 2015 versus the projected business plan (after assuming an increase of $[redacted] in net income from 2014 to 2015 under the business plan) just to reach the point where funds are even available for the profit sharing arrangement to commence. Even if the Debtors did reach $[redacted] in net income for 2014 or 2015, the proposal provides for only 15 percent of net income earned above $75 million in 2014 and 2015 to be distributed to the VEBA. Simply put, the proposed profit sharing arrangement is such that the Debtors would have to reach a dramatically increased level of profitability for any meaningful funding to be available to the VEBA under this construct.

51. As previously referenced, the forecasted net income level, per the Debtors, does not even reach the minimum level required for profit sharing in 2014 and 2015. Beginning in 2016, the Company "changes the rules of the game" and doubles the minimum threshold level to $[redacted]. The Debtors thus move the goalposts, such that the profit sharing arrangement either minimizes or eliminates altogether the amount of money that could potentially go to the VEBA.

52. Another way to look at this matter is to compare the profit to the contribution available for retiree healthcare: The profit sharing arrangement is structured such that for every $1 million of net income Patriot earns above the aforementioned thresholds, only [redacted] is available to go to the VEBA to satisfy more than $[redacted] of average annual cash expenses between 2014 and 2016 the VEBA will be responsible for paying. Based on Patriot's own

projections, the Debtors would have to generate $[redacted] of additional revenue in 2016 ([redacted] increase over current projected level for 2016) just to provide $1 million of funding above the paltry amount currently projected under the Debtors' forecast (a contribution rate of [redacted]%). This is a significant amount of incremental revenue that would be required to be achieved in order to generate even a nominal amount of profit sharing relative to the liability that will need to be serviced.

53. In the Debtors' statement, they claim to have "enhanced the VEBA proposal in several ways..." one of which included "a more generous profit sharing component," which is inaccurate (Huffard Decl. ¶ 66). First, Patriot includes 2014 as an eligible year for profit sharing. Secondly, it increases the profit sharing percentage from [redacted]. Both "enhancements" are not meaningful in the context of the Debtors' published plan. The Debtors subsequent inclusion of 2014 as a year in which profit sharing could be distributed provides absolutely no value or true enhancement because the forecasted net income is projected to be [redacted] in 2014, $[redacted].

54. The Debtors' offer to increase the profit sharing level from [redacted] in 2015 and 2016 only provides an additional $[redacted] to the VEBA, calculated as follows: First, as previously discussed, the forecasted level of net income in 2015 is below the minimum level required to commence profit sharing in 2015. Therefore it does not matter what the profit sharing percentage is for that period. The profit sharing percentage could be 95% of net income and there would not be any value to the VEBA. Secondly, the annual retiree medical costs the Debtors propose to transfer to the VEBA are approximately $[redacted] in 2016. Increasing the profit sharing percentage to [redacted] only provides an additional $[redacted] of profit sharing in 2016 and

results in a total of $[redacted] million. The amount of increase from profit sharing represents less than [redacted] of the total annual cash costs the VEBA would have to make just for that given year.

Unsecured Claim Against the Debtors' Estate

55. As stated in the Huffard Declaration, the Debtors have repeatedly stated that the largest and most "significant funding source for the VEBA will be an unsecured claim against the Debtors' estate" (Huffard Decl. ¶67). Despite repeated written and oral requests for analyses and explanations from the Debtors attempting to understand what value the Debtors were ascribing to the unsecured claim, the Debtors have continually refused to provide any information responsive to these requests.

56. Paragraph 69 of Huffard Declaration attempts to provide a "back of the envelope" indication of value for the Retiree Medical Claim. However, Mr. Huffard's approach is both fundamentally flawed and not feasible for three primary reasons. First, Mr. Huffard assumes there is an active market for the sale of the unsecured claim. Given the complex issues that remain outstanding and still need to be resolved in this case, a sale of a claim (in whole or part) in a range of $1.45 - $1.8 billion would not be possible because there would not be a buyer at a level sufficient to provide substantial benefits. The potential buyer would require a deeper understanding for how the claim will be treated in the bankruptcy proceeding, an issue the Debtors' advisors admit remains unanswered, and dependent upon several factors.

57. Secondly, a sale would be difficult given the uncertainty this litigation is producing and the uncertainty regarding the case outcome and treatment of the acquired claim in the context of a Plan of Reorganization.

58. Lastly, Mr. Huffard's calculation of the potential proceeds fails to account for any diminution of value and dilution to other stakeholders that may result from of an additional $1.45

billion to $1.8 billion claim without any corresponding increase in distributable value. Mr. Huffard ignores the potential impact of a claim by the 1974 Pension Trust, which could dilute the claims pool with an additional $960 million if (as Patriot proposes) a pension withdrawal is triggered. To date, neither the UMWA nor PwC has been provided any evidence that Blackstone has undertaken any serious effort to market the company at a level sufficient to generate real value for the VEBA claim despite Patriot's assertion that it "is simultaneously beginning to explore a range of options, including the sale of some or all of the company's assets[7]".

59. The Company's failure to provide any indication of value of the UMWA claim is problematic for at least two reasons. First, as evidenced by several court filings, most recently the *Motion to For Entry of an Order Directing the Appointment of A Chapter 11 Trustee Filed by Creditors Aurelius Capital Management, LP, Knighthead Capital Management, LLC (docket number 3423)*, there are many complicated issues in this case that will need to be addressed that could ultimately have a material impact on various creditor groups.

60. Secondly, since the profit sharing arrangement and $15 million lump-sum cash payment provide $[redacted] in aggregate funding over a 3 year period, the feasibility of the VEBA is dependent on the ultimate value of its unsecured claim against the estate. The Debtor has not provided evidence that the unsecured claim is liquid and can be converted to cash. The uncertainty regarding potentially the largest and most valuable source of VEBA funding, and in particular Patriot's refusal to provide any information related to the value of this potential claim, has prevented the UMWA from effectively being able to fully quantify the Debtors VEBA proposal, assess its liquidity, or determine how long the VEBA would be able to provide retiree benefits, or understand the level of benefits that could be provided.

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[7] Memorandum of Law in support of the Debtors' Motion To Reject Collective Bargaining Agreements And To Modify Retiree Benefits Pursuant To 11 U.S.C. §§ 1113, 1114

61. While the Debtors acknowledge that "a large unsecured claim, like the potential retiree healthcare claim, may prove to have significant value to its holders", they also admit that "...it is still too early in these cases to determine how much cash the UMWA will be able to generate on account of this unsecured claim" and that "actual recoveries will depend on a large number of factors, including... negotiations of an actual Plan of Reorganization among the various creditor groups of the Company resolving complex issues regarding the size, nature and effective priority of various claims". (Huffard Decl. ¶ 69)

62. In sum, the sources of VEBA funding are so speculative on one hand, or manifestly insufficient on the other, as to make this proposal infeasible and highly inequitable.

VII. Negotiation Process and Information Exchange

63. Throughout the bargaining process, PwC attempted to work with the Debtors and their advisors to obtain the necessary information to evaluate Patriot's §§1113 and 1114 Proposal. UMWA and PwC submitted multiple written and oral information requests to the Company beginning in October 2012 even before proposals were received. The Debtors nevertheless have withheld, refused to provide, and in many instances delayed delivery of, key pieces of information.

Failure to Provide a Dynamic Model

64. The Debtors have continually mischaracterized both the Company's responsiveness to requests and the completeness of information provided, most notably with respect to a "dynamic model." On November 19, 2012, PwC requested a copy of the Microsoft Excel version of Patriot's business plan. PwC's request for a dynamic model is crucial to the UMWA's analyses with respect to its projected operations, especially in complex and mine level pricing and profitability. For example, a dynamic model would allow the UMWA to adjust any

assumptions to create alternative scenarios, and thus bargain with the Debtor on some basis other than its fixed set of demands. In my experience, it is customary for a Debtor and its professionals to have a dynamic model at their disposal. While these models are complicated and can take months to develop, given the tenure of Blackstone's and Alix's engagements, such a model should have been provided. The Debtors' financial systems are capable of producing such a model. It is my understanding that the Debtors management chose not to have one to be developed. A true and correct copy of the electronic mail message ("e-mail") sent by Adam Rosen of PwC is attached as Appendix C. On November 20, 2012, Patriot posted a file to the shared data room containing an extract of selected schedules in response to the November 19, 2012 PwC request. Then, on November 26, 2012, PwC requested a "functioning version of the business plan model posted to the data room, including any additional supporting schedules, analyses or calculations." A true and correct copy of the e-mail sent by Adam Rosen of PwC is attached as Appendix D.

65. On December 3, 2012, Patriot provided a file which it claims was the "full financial model that Blackstone has created for Patriot and contains all the functionality that we have built to date (i.e., this is the "live" or "dynamic" model, which we have not shared with any party other than the Union)" (the "Blackstone Model"). A true and correct copy of the e-mail sent by Elliot Moskowitz of Davis Polk to Adam Rosen of PwC is attached as Appendix E.

66. On December 6, 2012, members of PwC participated on a call with the Debtors' advisors and members of management to discuss the functionality of the Blackstone Model provided in Mr. Moskowitz's e-mail including additional detail regarding coal pricing. On that call, it is my understanding that several questions regarding specific financial statements were

discussed to which Blackstone advised the underlying schedules and calculations were not included in the file provided by Mr. Moskowitz.

67. In turn, Blackstone only agreed to provide the additional supporting schedules in response to PwC's diligence questions, despite the fact the PwC diligence request from November 26, 2012 specifically sought the "functioning version of the business plan model posted to the data room, including any additional supporting schedules, analyses or calculations."

68. On December 12, 2012, members of PwC participated on a call with Blackstone to specifically discuss the ability to use the Blackstone Model to perform certain sensitivities and scenarios. It is my understanding that Blackstone informed members of PwC that the Blackstone Model has limited capability to be modified for any scenario other than select capital structure changes, and admitted that the model was not in fact, "dynamic", despite Mr. Moskowitz's contrary representation. Despite the Debtors' own advisors' admission that Blackstone Model was not "dynamic," Bennett Hatfield continued to claim, incorrectly, as he did in his February 8, 2013 letter to Cecil Roberts, that the UMWA's "description of our business plan model as 'not dynamic' is inaccurate."

69. On January 9, 2013, PwC participated in a call with the Debtors and their advisors to discuss the Blackstone Model. Patriot and Blackstone represented on the call that the Blackstone Model was only capable of running select scenarios and indicated that the Company had utilized a financial planning tool called "Hyperion" to prepare the financial forecasts. The Debtors stated that while the data in Hyperion would not be available to distribute to PwC, they would be willing to demonstrate how Patriot updates its business model during a diligence session in St. Louis, Missouri.

70. On January 24, 2013, Patriot's advisors met with two of my colleagues in St. Louis to view a demonstration of Patriot's financial planning system. It is my understanding that at that meeting, the Debtor explained that a significant amount of the information used in forecasting future financial performance was not centralized, and was instead entered by numerous different groups within Patriot, many of which reside in different geographic locations.

71. As a result, Patriot's offer to provide "PwC with access to Patriot's St. Louis-based budgeting and planning system" (Robertson Declaration, ¶133) was an empty offer since any modified scenarios PwC would be seeking to run would require input from several different sources. Patriot's own advisors admitted complications would arise from any attempts by PwC to access the Company's budgeting system and even questioned the feasibility of such an action during the January 24th meeting.

VIII. Conclusion

72. Patriot, like the rest of the coal industry, is facing a difficult operating environment, but it seeks an inflated total amount of concessions from UMWA, and a disproportionate share of its total requirements from UMWA members and retirees.

73. The UMWA Counterproposal provides Patriot a level of savings necessary to help the Company through this temporary problem and return Patriot to a level of profitability in line with the rest of the coal industry. These concessions allow the Company to achieve the same exact goals as contemplated under its proposal without the coercive permanent nature of the Debtors' proposal.

74. With respect to retiree medical claims, which by the Debtors' own admission are at least $1.45 billion, and by UMWA's calculation are $1.8 billion, the Debtors' VEBA proposal is insufficiently funded to provide meaningful health care to retirees. The Debtors should not be

allowed to shift value to other creditors at the expense of the retirees, who rely on these benefits literally to survive.

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

Executed this 3rd day of April, 2013.

/s/ Perry Mandarino
Perry Mandarino

Exhibit A

RESUME OF SRINIVAS AKUNURI

Srinivas Akunuri, Principal

RANGE OF EXPERIENCE

Srinivas is a principal in PwC's Transaction Services Valuation practice and has more than 16 years of experience in the valuation of businesses in a variety of industries, with a primary focus of energy and mining. He currently leads PwC's energy valuation practice in Houston, Texas. Srinivas has consulted with energy and mining clients on complex valuation issues for structuring, buy-side, sell-side, tax and financial reporting purposes including purchase price allocations, goodwill and intangible asset impairments (ASC 805, ASC 350 , ASC 360) and U.S. (IRC Section 338 and 1060) and international tax purposes.

He also supports PwC audit and non-audit clients on valuation-related issues surrounding the acquisition or divestiture of oil and gas reserves, mineral reserves, pipelines, refineries, intangible assets, and impairment testing.

PROFESSIONAL AND BUSINESS HISTORY

PricewaterhouseCoopers: Valuation Principal 2005 to Present

Standard & Poor's Corporate Value Consulting: Valuation Specialist 2001 to 2005

PROFESSIONAL AND BUSINESS EXPERIENCE

- Valuation of businesses in connection with a sale, merger, acquisition, dispute, tax, or other advisory;
- Valuation of intangible assets, including but not limited to patents, trademarks, and brands;
- Valuation for financial reporting purposes in connection with ASC 805, ASC 350, ASC 360, IRC Section 338, and IRC Section 1060;
- Valuation of businesses and assets including intellectual property in connection with corporate restructuring and bankruptcy;

SELECT ENERGY AND MINING EXPERIENCE

- Valuation of coal reserves, inventory, intangible assets and contingent consideration for a U.S. coal producer's acquisition of a U.S. coal mining company;
- Valuation of coal related projects for a North American pension fund including a coal gasification project, a coal-fired power generation facility, and coal bed methane production royalty rights;
- Valuation of gold, nickel and base metal royalties related to the acquisition of a publically traded gold royalty company;
- Valuation of mineral and exploration gold properties in South America, Canada, and Asia-Pacific;
- Valuation of oil and gas reserves for exploration and production companies;
- Valuation of shale gas reserves and undeveloped acreage;
- Valuation of tangible and intangible assets related to acquisition of pipeline companies;
- Valuation for a joint venture of multiple refineries, pipeline assets, and terminaling assets;
- Valuation, purchase price allocation, and accounting advisory work related to the acquisition of a refining

business unit;

- Valuation of oil field services companies relating to the acquisition of drilling rigs, construction work in progress, and contract intangibles;
- Valuation of goodwill impairment in connection with the disposal of a fleet of drilling rigs.

PROFESSIONAL AND BUSINESS AFFILIATIONS

American Society of Appraisers (Accredited Senior Appraiser)

National Association of Certified Valuators and Analysts (Accredited Valuation Analyst)

Institute of Business Appraisers (Certified Business Appraiser)

EDUCATION

Tulane University - Master of Business Administration

University of Delhi - Master's in Commerce

Osmania University - Bachelor's in Commerce

PUBLICATIONS

- Contributing author: “Petroleum Accounting Principles, Procedures, & Issues,” Professional Development Institute, Denton, TX, 2011.
- Author: “Valuing the Great Shale Play,” PricewaterhouseCoopers LLP, 2011.
- Co-author: “Mergers and Acquisitions Complicated by New Accounting Rules,” Oil & Gas Financial Journal, November 1, 2008.

Exhibit B

MATERIALS CONSIDERED

I. Resources from Patriot's Data Room

- Business Plan Model (Data Room Item 1.2.2.3)
- Complex-Level EBITDAs (Data Room Item 1.2.11.1)
- Financial Projections Summary Model (Data Room Item 1.2.22.1)
- Thermal Coal Pricing Sensitivity (Data Room Item 1.2.24.1)
- Income Statements (Data Room Item 1.2.11.3)
- Mine-Level Profit-Loss (Data Room Item 1.2.27.1)
- Production and Headcount – December 2011 Plan vs. October Bank Plan (Data Room Item 1.2.12.5)
- Revenue Summary (October 2012 Forecast) (Data Room Item 1.2.27.2)
- Revenue Summary by Mine (October 2012 Forecast) (Data Room Item 1.2.27.3)
- Sales and Quality data (data room item 1.2.32.1)
- Transport costs (data room item 1.2.44)
- Coal Price Forecast Mapping (Data Room Item 1.2.21)
- Mine Level P&L (12-18-12 paste value).xls; Patriot Coal
- Mine Level P&L 2012 Preliminary Results (Data Room Item 1.2.33)
- Sales and Quality Data 2011-2012 (Data Room Item 1.2.32.1)

II. Other Resources

- DOE/EIA, Short-Term Energy Outlook (Jan. 2013)
- Patriot Coal Diligence Overview (Mining Complexes)_FINAL.pdf
- Asset Dispositions_FINAL.pdf; Houlihan Lokey
- UCC Update Presentation 120512 (FINAL).pdf
- SNL Energy Coal Forecast as of February 28, 2013; SNL
- Wood Mackenzie Coal Market Service as of November 2012; Wood Mackenzie

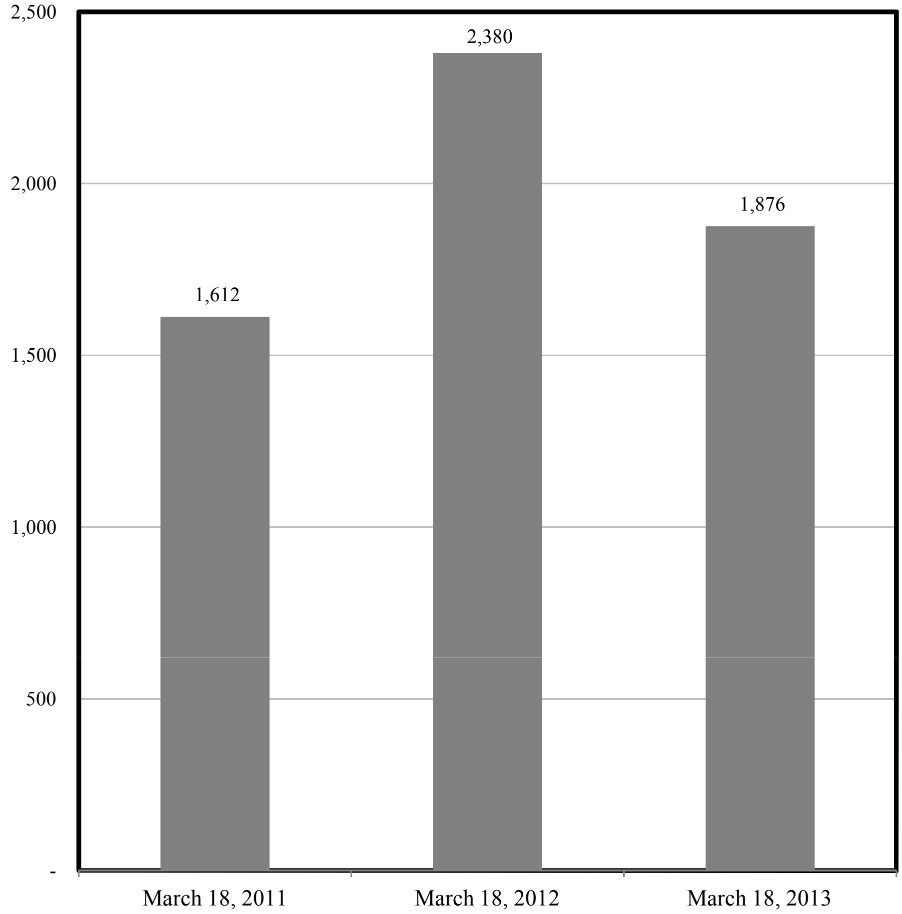
Exhibit B

MATERIALS CONSIDERED

- Correspondence from Bennett K Hatfield on March 14, 2013; “Hatfield Ltr to CER 3.14.13.pdf”
- Article: May natural gas settles at 18-month high at $4.068/MMBtu by Jodi Shafto; SNL Financial
- Article: Gas Prices- What's Next? By Rick Allen; AICPA
- Article: Barclay's projects 12% increase in coal-fired generation in 2013 by Darren Epps; SNL Financial
- Prospects for coal- to- gas switching in 2013 by Jesse Gilbert, Analyst Energy Markets (February 2013), SNL Energy
- Tudor Pickering Holt & Co. Presentation: Industry M&A Trends, Opportunities Outlook; November 13, 2012
- Energy Information Administration Henry Hub Gulf Coast natural gas spot price, 4/1/2003-3/28/2013
- Capital IQ- Henry Hub natural gas prices
- Energy Information Administration February 2013 Monthly Energy Review
- Baker Hughes Rig Count, March 28, 2013
- Schwartz Declaration, March 14, 2013

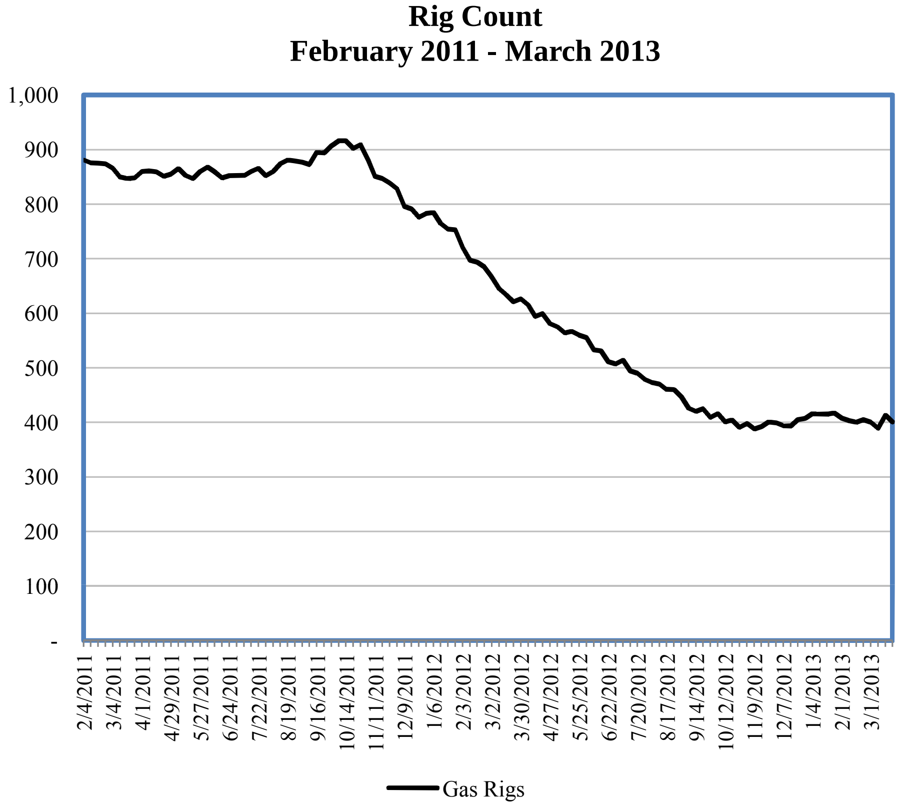
Exhibit C

Natural Gas Storage Levels (Bcf)



Source: U.S. Historical Gas Storage Levels, SNL Financial

Exhibit D



Source: Baker Hughes

Exhibit E

Gas Development Projects for LNG

Project	Source	Year in Service	Capacity (BCF/day)	Days	Annual Capacity (BCF)	Cumulative Capacity (BCF)
Freeport LNG (Quintana Terminal) Phase II	[a]	2013	2.5	360	900	900
Sempra's Cameron	[b]	2016	1.6	360	576	1,476
Sabine Pass	[b]	2016	2.4	360	864	2,340
Oregon LNG Project	[a]	2019	0.5	360	180	2,520
			Annual capacity BCF		2,520	
				÷	1,000	
			Annual capacity TCF		**2.52**	

[a] SNL Energy company research website
[b] AICPA National Oil & Gas Conference Presentation, November 14, 2012

Exhibit F

Section 1 - Patriot Coal Business Plan

Exhibit F - Page 1
Weighted Average Thermal Coal Pricing Calculations
Price Summary

	Page Reference	2013	2014	2015	2016
Patriot Business Plan Forecast	2				
SNL Energy (unadjusted)	11				
Patriot Coal Business Plan Forecast	2				
SNL Energy (adjusted)	11				
Patriot Coal Business Plan Forecast	2				
Wood Mackenzie (unadjusted)	20				
Patriot Coal Business Plan Forecast	2				
Wood Mackenzie (adjusted)	20				

Exhibit F - Page 2
Weighted Average Thermal Coal Pricing Calculations
Summary of Prices by Complex - Business Plan

Complex	Page Reference	2013	2014	2015	2016
Midland Trail	3				
Paint Creek	4				
Federal	5				
Dodge Hill	6				
Highland	7				
Corridor G	8				
Logan County	9				
Rocklick	10				
Business Plan Weighted Average Price [1]					
Percentage of Thermal Tons Sold by Complex					
Midland Trail	3				
Paint Creek	4				
Federal	5				
Dodge Hill	6				
Highland	7				
Corridor G	8				
Logan County	9				
Rocklick	10				
Total					

[1] For each of the years presented, each complex price above is multiplied by its corresponding percentage of thermal tons sold by complex, also above. The sum of these products is the business plan weighted average price for each year.

Some totals may not add due to rounding.

Exhibit F - Page 3
Calculation of Weighted Average Price Per Ton
Midland Trail Complex

Data source: Business Plan

	Calculation	2013	2014	2015	2016	
Mine: Blue Creek #1						
Percentage of complex total	$a = c/i$					
Coal revenue, net of taxes [1]	b					
Tons sold [1]	c					
Realized price per ton	$d = b/c$					
Mine: Blue Creek #2						
Percentage of complex total	$e = g/i$					
Coal revenue, net of taxes [2]	f					
Tons sold [2]	g					
Realized price per ton	$h = f/g$					
Midland Trail Weighted Average Price	$(d*a) + (h*e)$					**to Page 2**
Tons sold - Midland Trail Complex	i					
Tons sold - all complexes [3]	j					
Percentage of total tons sold	i/j					**to Page 2**

[1] Obtained from tab 2199 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).

[2] Obtained from tab 2201 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).

[3] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."

Some totals may not add due to rounding.

Exhibit F - Page 4
Calculation of Weighted Average Price Per Ton
Paint Creek Complex

Data source: Business Plan

	Calculation	2013	2014	2015	2016	
Mine: Catenary Highwall Miner - Captive						
Percentage of complex total	$a = c/q$					
Coal revenue, net of taxes[1]	b					
Tons sold [1]	c					
Realized price per ton	$d = b/c$					
Mine: Samples Mine - Excluding Rash						
Percentage of complex total	$e = g/q$					
Coal revenue, net of taxes[2]	f					
Tons sold [2]	g					
Realized price per ton	$h = f/g$					
Mine: LRP Surface						
Percentage of complex total	$i = k/q$					
Coal revenue, net of taxes[3]	j					
Tons sold [3]	k					
Realized price per ton	$l = j/k$					
Mine: LRP HWM Operations						
Percentage of complex total	$m = o/q$					
Coal revenue, net of taxes[4]	n					
Tons sold [4]	o					
Realized price per ton	$p = n/o$					
Paint Creek Weighted Average Price	$(d*a) + (h*e) + (l*i) + (p*m)$					**to Page 2**
Tons sold - Paint Creek Complex	q					
Tons sold - all complexes[5]	r					
Percentage of total tons sold	q/r					**to Page 2**

[1] Obtained from tab 2306 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[2] Obtained from tab 2305 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[3] Obtained from tab 2299 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[4] Obtained from tab 2304 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[5] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."
Some totals may not add due to rounding.

Exhibit F - Page 5
Calculation of Weighted Average Price Per Ton
Federal Complex

Data source: Business Plan

Mine: Federal #2

	Calculation	2013	2014	2015	2016	
Percentage of complex total	*a = c/e*					
Coal revenue, net of taxes [1]	*b*					
Tons sold [1]	*c*					
Realized price per ton	*d = b/c*					
Federal Weighted Average Price	*(d*a)*					**to Page 2**
Tons sold - Federal Complex	*e*					
Tons sold - all complexes [2]	*f*					
Percentage of total tons sold	*e/f*					**to Page 2**

[1] Obtained from tab 0755 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[2] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."
Some totals may not add due to rounding.

Exhibit F - Page 6
Calculation of Weighted Average Price Per Ton
Dodge Hill Complex

Data source: Business Plan

	Calculation	2013	2014	2015	2016	
Mine: Dodge Hill #2						
Percentage of complex total	*a = c/e*					
Coal revenue, net of taxes [1]	*b*					
Tons sold [1]	*c*					
Realized price per ton	*d = b/c*					
Dodge Hill Weighted Average Price	*(d*a)*					**to Page 2**
Tons sold - Dodge Hill Complex	*e*					
Tons sold - all complexes [2]	*f*					
Percentage of total tons sold	*e/f*					**to Page 2**

[1] Obtained from tab 2741 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[2] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."
Some totals may not add due to rounding.

Exhibit F - Page 7
Calculation of Weighted Average Price Per Ton
Highland Complex

Data source: Business Plan

	Calculation	2013	2014	2015	2016	
Mine: Highland #9						
Percentage of complex total	*a = c/e*					
Coal revenue, net of taxes [1]	*b*					
Tons sold [1]	*c*					
Realized price per ton	*d = b/c*					
Highland Weighted Average Price	*(d*a)*					**to Page 2**
Tons sold - Highland Complex	*e*					
Tons sold - all complexes [2]	*f*					
Percentage of total tons sold	*e/f*					**to Page 2**

[1] Obtained from tab 2709 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[2] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."
Some totals may not add due to rounding.

Exhibit F - Page 8
Calculation of Weighted Average Price Per Ton
Corridor G Complex

Data source: Business Plan

	Calculation	2013	2014	2015	2016	
Mine: Job 21						
Percentage of complex total	$a = c/i$					
Coal revenue, net of taxes [1]	b					
Tons sold [1]	c					
Realized price per ton	$d = b/c$					
Mine: Hill Fork Surface						
Percentage of complex total	$e = g/i$					
Coal revenue, net of taxes [2]	f					
Tons sold [2]	g					
Realized price per ton	$h = f/g$					
Corridor G Weighted Average Price	$(d*a) + (h*e)$					**to Page 2**
Tons sold - Corridor G Complex	i					
Tons sold - all complexes [3]	j					
Percentage of total tons sold	i/j					**to Page 2**

[1] Obtained from tab 2290 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[2] Obtained from tab 2300 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).
[3] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."
Some totals may not add due to rounding.

Exhibit F - Page 9
Calculation of Weighted Average Price Per Ton
Logan County Complex

Data source: Business Plan

	Calculation	2013	2014	2015	2016	
Mine: Guyan						
Percentage of complex total	*a = c/i*					
Coal revenue, net of taxes [1]	*b*					
Tons sold [1]	*c*					
Realized price per ton	*d = b/c*					
Mine: Buffalo Mountain - Coyote						
Percentage of complex total	*e = g/i*					
Coal revenue, net of taxes [2]	*f*					
Tons sold [2]	*g*					
Realized price per ton	*h = f/g*					
Logan County Weighted Average Price	*(d*a) + (h*e)*					**to Page 2**
Tons sold - Logan County Complex	*i*					
Tons sold - all complexes [3]	*j*					
Percentage of total tons sold	*i/j*					**to Page 2**

[1] Obtained from tab 2311 of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).

[2] Obtained from tab "BUFFMTNB" of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).

[3] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."

Some totals may not add due to rounding.

Exhibit F - Page 10
Calculation of Weighted Average Price Per Ton
Rocklick Complex

Data source: Business Plan

	Calculation	2013	2014	2015	2016	
Mine: Thunderhill Coal						
Percentage of complex total	*a = c/e*					
Coal revenue, net of taxes [1]	*b*					
Tons sold [1]	*c*					
Realized price per ton	*d = b/c*					
Rocklick Weighted Average Price	*(d*a)*					**to Page 2**
Tons sold - Rocklick Complex	*e*					
Tons sold - all complexes [2]	*f*					
Percentage of total tons sold	*e/f*					**to Page 2**

[1] Obtained from tab "THUNDHILL" of "Mine Level P&L (12-18-12 paste value).xls" (data room item 1.2.25.6).

[2] Summation of tons sold at each complex, obtained from individual complex/mine data in the file "Mine Level P&L (12-18-12 past value).xls."

Some totals may not add due to rounding.

Exhibit F

Section 2 - SNL

Exhibit F - Page 11
Weighted Average Thermal Coal Pricing Calculations
Summary of Prices by Complex - SNL

Complex	Page Reference	Unadjusted Price Per Ton 2013	2014	2015	2016
Midland Trail	12	[redacted]			
Paint Creek	13				
Federal	14				
Dodge Hill	15				
Highland	16				
Corridor G	17				
Logan County	18				
Rocklick	19				
SNL (unadjusted) Weighted Average [1]					

Complex	Page Reference	2013	2014	2015	2016
Midland Trail	12	[redacted]			
Paint Creek	13				
Federal	14				
Dodge Hill	15				
Highland	16				
Corridor G	17				
Logan County	18				
Rocklick	19				
SNL (adjusted) Weighted Average [1]					

[1] Weighted average based on percentage of thermal tons sold by complex and calculated as described on page 2 of this exhibit.

[2] Adjustments to SNL forecasts calculated on pages 12-19 of this exhibit.

Some totals may not add due to rounding.

Exhibit F - Page 12
Calculation of Weighted Average Price Per Ton
Midland Trail Complex

Data source: SNL

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Barge transport differential[2]						
Transport cost[3]						
Adjusted Price						**to Page 12**
Btu/lb adjustment:						
SNL Btu/lb - forecast standard quality[4]	***a***					
Patriot Btu/lb[5]	***b***					
	c = b/a - 1					
SNL forecast price above						
Price adjustment to SNL for Btu difference						

Source:

[1] SNL Energy forecast for NYMEX look-alike [12000|1.67] coal, as of 2/28/2013. Based on discussions with management, this forecast is most appropriate for coal produced at the Midland Trail complex.

[2] Per item 3d-ii in PWC_PriceForecast_Observations.docx.

[3] Obtained from data room item 1.2.44.

[4] Standard quality used in SNL forecast.

[5] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 13
Calculation of Weighted Average Price Per Ton
Paint Creek Complex

Data source: SNL

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Adjusted Price						**to Page 12**
Btu/lb adjustment:						
SNL Btu/lb - forecast standard quality[2]	***a***					
Patriot Btu/lb[3]	***b***					
	c = b/a - 1					
SNL forecast price above						
Price adjustment to SNL for Btu difference						

Source:

[1] SNL Energy forecast for Big Sandy/Kanawha [12500|1.50] coal, as of 2/28/2013. Based on discussions with management, this forecast is most appropriate for coal produced at the Paint Creek complex.

[2] Standard quality used in SNL forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 14
Calculation of Weighted Average Price Per Ton
Federal Complex

Data source: SNL

Price adjustment:	*Calculation*	2013	2014	2015	2016	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Sulfur adjustment[2]						
Adjusted Price						**to Page 12**
Btu/lb adjustment:						
SNL Btu/lb - forecast standard quality[3]	***a***					
Patriot Btu/lb[4]	***b***					
	c = b/a - 1					
SNL forecast price above						
Price adjustment to SNL for Btu difference						

Source:

[1] SNL Energy forecast for Pittsburgh Seam [13000|4.00] coal, as of 2/28/2013. Based on discussions with management, this forecast is most appropriate for coal produced at the Federal complex.

[2] Provided by management in "PWC_PriceForecast_Observations.docx" (item 3b).

[3] Standard quality used in SNL forecast.

[4] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 15
Calculation of Weighted Average Price Per Ton
Dodge Hill Complex

Data source: SNL

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Transport cost[2]						
Adjusted Price						**to Page 12**

Btu/lb adjustment:					
SNL Btu/lb - forecast standard quality	***a***				
Patriot Btu/lb	***b***				
	c = b/a - 1				
SNL forecast price above					
Price adjustment to SNL for Btu difference					

Source:

[1] SNL Energy forecast for Illinois Basin [11000|5.00] coal, as of 2/28/2013. Based on discussions with management, this forecast is most appropriate for coal produced at the Dodge Hill complex.

[2] Obtained from data room item 1.2.44.

[3] Standard quality used in SNL forecast.

[4] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 16
Calculation of Weighted Average Price Per Ton
Highland Complex

Data source: SNL

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Adjusted Price						**to Page 12**
Btu/lb adjustment:						
SNL Btu/lb - forecast standard quality[2]	***a***					
Patriot Btu/lb[3]	***b***					
	c = b/a - 1					
SNL forecast price above						
Price adjustment to SNL for Btu difference						

Source:

[1] SNL Energy forecast for Illinois Basin [11000|5.00] coal, as of 2/28/2013. Based on discussions with management, this forecast is most appropriate for coal produced at the Highland complex.

[2] Standard quality used in SNL forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 17
Calculation of Weighted Average Price Per Ton
Corridor G Complex

Data source: SNL

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Adjusted Price						**to Page 12**
Btu/lb adjustment:						
SNL Btu/lb - forecast standard quality[2]	***a***					
Patriot Btu/lb[3]	***b***					
	$c = b/a - 1$					
SNL forecast price above						
Price adjustment to SNL for Btu difference						

Source:

[1] SNL Energy forecast for Big Sandy/Kanawha [12500|1.50] coal, as of 2/28/2013. Based on discussions with management, this forecast is most appropriate for coal produced at the Corridor G complex.

[2] Standard quality used in SNL forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 18
Calculation of Weighted Average Price Per Ton
Logan County Complex

Data source: SNL

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Adjusted Price						**to Page 12**
Btu/lb adjustment:						
SNL Btu/lb - forecast standard quality[2]	***a***					
Patriot Btu/lb[3]	***b***					
	c = b/a - 1					
SNL forecast price above						
Price adjustment to SNL for Btu difference						

Source:

[1] SNL Energy forecast for Big Sandy/Kanawha [12500|1.50] coal, as of 2/28/2013. Based on discussions with management, this forecast is most appropriate for coal produced at the Logan County complex.

[2] Standard quality used in SNL forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 19
Calculation of Weighted Average Price Per Ton
Rocklick Complex

Data source: SNL

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
SNL forecast price[1]						**to Page 12**
Btu/lb adjustment						
Adjusted Price						**to Page 12**
Btu/lb adjustment:						
SNL Btu/lb - forecast standard quality[2]	a					
Patriot Btu/lb[3]	b					
	$c = b/a - 1$					
SNL forecast price above						
Price adjustment to SNL for Btu difference						

Source:

[1] SNL Energy forecast for Big Sandy/Kanawha [12500|1.50] coal, as of 2/28/2013. Based on discussions with management and Note 3, below, this forecast is most appropriate for coal produced at the Rocklick complex.

[2] Standard quality used in SNL forecast.

[3] Btu/lb specifications were not available for the Rocklick complex. Based on discussions with management, specifications for the most similar complex (Logan County) were used to calculate the adjusted SNL and Wood

Some totals may not add due to rounding.

Exhibit F

Section 3 - Wood Mackenzie

Exhibit F - Page 20
Weighted Average Thermal Coal Pricing Calculations
Summary of Prices by Complex - Wood Mackenzie

Complex	Page Reference	Unadjusted Price Per Ton 2013	2014	2015	2016
Midland Trail	21				
Paint Creek	22				
Federal	23				
Dodge Hill	24				
Highland	25				
Corridor G	26				
Logan County	27				
Rocklick	28				
Wood Mackenzie (unadjusted) Weighted Average[1]					

Complex	Page Reference				
Midland Trail	21				
Paint Creek	22				
Federal	23				
Dodge Hill	24				
Highland	25				
Corridor G	26				
Logan County	27				
Rocklick	28				
Wood Mackenzie (adjusted) Weighted Average[1]					

[1] Weighted average based on percentage of thermal tons sold by complex and calculated as described on page 2 of this exhibit.
[2] Adjustments to Wood Mackenzie forecasts calculated on pages 21-28 of this exhibit.
Some totals may not add due to rounding.

Exhibit F - Page 21
Calculation of Weighted Average Price Per Ton
Midland Trail Complex

Data source: Wood Mackenzie

Price adjustment:	*Calculation*	2013	2014	2015	2016	
Wood Mackenzie forecast price [1]						**to Page 20**
Btu/lb adjustment						
Barge transport differential [2]						
Transport cost [3]						
Adjusted Price						**to Page 20**
Btu/lb adjustment:						
Wood Mackenzie Btu/lb - forecast standard quality [4]	*a*					
Patriot Btu/lb [5]	*b*					
	$c = b/a - 1$					
Wood Mackenzie forecast price above						
Price adjustment to Wood Mackenzie for Btu difference						

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "S.WV Mid-BTU; Near Compliance; XMC; NCH; CAPP" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Midland Trail complex.

[2] Per item 3d-ii in PWC_PriceForecast_Observations.docx.

[3] Obtained from data room item 1.2.44.

[4] Standard quality used in Wood Mackenzie forecast.

[5] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 22
Calculation of Weighted Average Price Per Ton
Paint Creek Complex

Data source: Wood Mackenzie

Price adjustment:	*Calculation*	2013	2014	2015	2016	
Wood Mackenzie forecast price[1]						to Page 20
Btu/lb adjustment						
Adjusted Price						to Page 20

Btu/lb adjustment:					
Wood Mackenzie Btu/lb - forecast standard quality[2]	*a*				
Patriot Btu/lb[3]	*b*				
	$c = b/a - 1$				
Wood Mackenzie forecast price above					
Price adjustment to Wood Mackenzie for Btu difference					

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "S.WV Mid-BTU; Near Compliance; XMC; NCH; CAPP" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Paint Creek complex.

[2] Standard quality used in Wood Mackenzie forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 23
Calculation of Weighted Average Price Per Ton
Federal Complex

Data source: Wood Mackenzie

Price adjustment:	*Calculation*	2013	2014	2015	2016	
Wood Mackenzie forecast price [1]						**to Page 20**
Btu/lb adjustment						
Sulfur adjustment [2]						
Adjusted Price						**to Page 20**

Btu/lb adjustment:					
Wood Mackenzie Btu/lb - forecast standard quality [3]	***a***				
Patriot Btu/lb [4]	***b***				
	$c = b/a - 1$				
Wood Mackenzie forecast price above					
Price adjustment to Wood Mackenzie for Btu difference					

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "N. WV; High Sulfur; NWV; HSZ; NAPP" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Federal complex.

[2] Provided by management in "PWC_PriceForecast_Observations.docx" (item 3b).

[3] Standard quality used in Wood Mackenzie forecast.

[4] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 24
Calculation of Weighted Average Price Per Ton
Dodge Hill Complex

Data source: Wood Mackenzie

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
Wood Mackenzie forecast price [1]						**to Page 20**
Btu/lb adjustment						
Transport cost [2]						
Adjusted Price						**to Page 20**
Btu/lb adjustment:						
Wood Mackenzie Btu/lb - forecast standard quality [3]	***a***					
Patriot Btu/lb [4]	***b***					
	c = b/a - 1					
Wood Mackenzie forecast price above						
Price adjustment to Wood Mackenzie for Btu difference						

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "W. KY; High Sulfur; WKY; HSZ; ILB" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Dodge Hill complex.

[2] Obtained from data room item 1.2.44.

[3] Standard quality used in Wood Mackenzie forecast.

[4] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 25
Calculation of Weighted Average Price Per Ton
Highland Complex

Data source: Wood Mackenzie

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
Wood Mackenzie forecast price [1]						**to Page 20**
Btu/lb adjustment						
Adjusted Price						**to Page 20**
Btu/lb adjustment:						
Wood Mackenzie Btu/lb - forecast standard quality [2]	a					
Patriot Btu/lb [3]	b					
	$c = b/a - 1$					
Wood Mackenzie forecast price above						
Price adjustment to Wood Mackenzie for Btu difference						

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "W. KY; High Sulfur; WKY; HSZ; ILB" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Highland complex.

[2] Standard quality used in Wood Mackenzie forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 26
Calculation of Weighted Average Price Per Ton
Corridor G Complex

Data source: Wood Mackenzie

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
Wood Mackenzie forecast price [1]						**to Page 20**
Btu/lb adjustment						
Adjusted Price						**to Page 20**
Btu/lb adjustment:						
Wood Mackenzie Btu/lb - forecast standard quality [2]	***a***					
Patriot Btu/lb [3]	***b***					
	c = b/a - 1					
Wood Mackenzie forecast price above						
Price adjustment to Wood Mackenzie for Btu difference						

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "S. WV; Mid BTU-CSX; Near-Compliance; XMC; NCH; CAPP" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Corridor G complex.

[2] Standard quality used in Wood Mackenzie forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 27
Calculation of Weighted Average Price Per Ton
Logan County Complex

Data source: Wood Mackenzie

Price adjustment:	***Calculation***	**2013**	**2014**	**2015**	**2016**	
Wood Mackenzie forecast price [1]						**to Page 20**
Btu/lb adjustment						
Adjusted Price						**to Page 20**
Btu/lb adjustment:						
Wood Mackenzie Btu/lb - forecast standard quality [2]	a					
Patriot Btu/lb [3]	b					
	$c = b/a - 1$					
Wood Mackenzie forecast price above						
Price adjustment to Wood Mackenzie for Btu difference						

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "S. WV; Mid BTU-CSX; Compliance, High Fusion; XMC; CPH; CAPP" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Logan County complex.

[2] Standard quality used in Wood Mackenzie forecast.

[3] 2012 actual Btu/lb, obtained from data room item 1.2.32.1.

Some totals may not add due to rounding.

Exhibit F - Page 28
Calculation of Weighted Average Price Per Ton
Rocklick Complex

Data source: Wood Mackenzie

Price adjustment:	*Calculation*	2013	2014	2015	2016	
Wood Mackenzie forecast price [1]						**to Page 20**
Btu/lb adjustment						
Adjusted Price						**to Page 20**
Btu/lb adjustment:						
Wood Mackenzie Btu/lb - forecast standard quality [2]	a					
Patriot Btu/lb [3]	b					
	$c = b/a - 1$					
Wood Mackenzie forecast price above						
Price adjustment to Wood Mackenzie for Btu difference						

Source:

[1] Obtained from Wood Mackenzie Coal Market Service forecast for "S. WV; Mid BTU-CSX; Compliance, High Fusion; XMC; CPH; CAPP" coal, as of Nov. 2012. Based on discussions with management, this forecast is most appropriate for coal produced at the Rocklick complex.

[2] Standard quality used in Wood Mackenzie forecast.

3 Btu/lb specifications were not available for the Rocklick complex. Based on discussions with management, specifications for the most similar complex (Logan County) were used to calculate the adjusted SNL and Wood Mackenzie forecast prices.

Some totals may not add due to rounding.