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. <u>Summary of Opinion</u>

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. <u>Patriot's Business Plan and Concessions Sought; Temporary Nature of Patriot's Crisis</u>

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.

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]

Failure to Seek Concessions From Other Significant Groups

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].

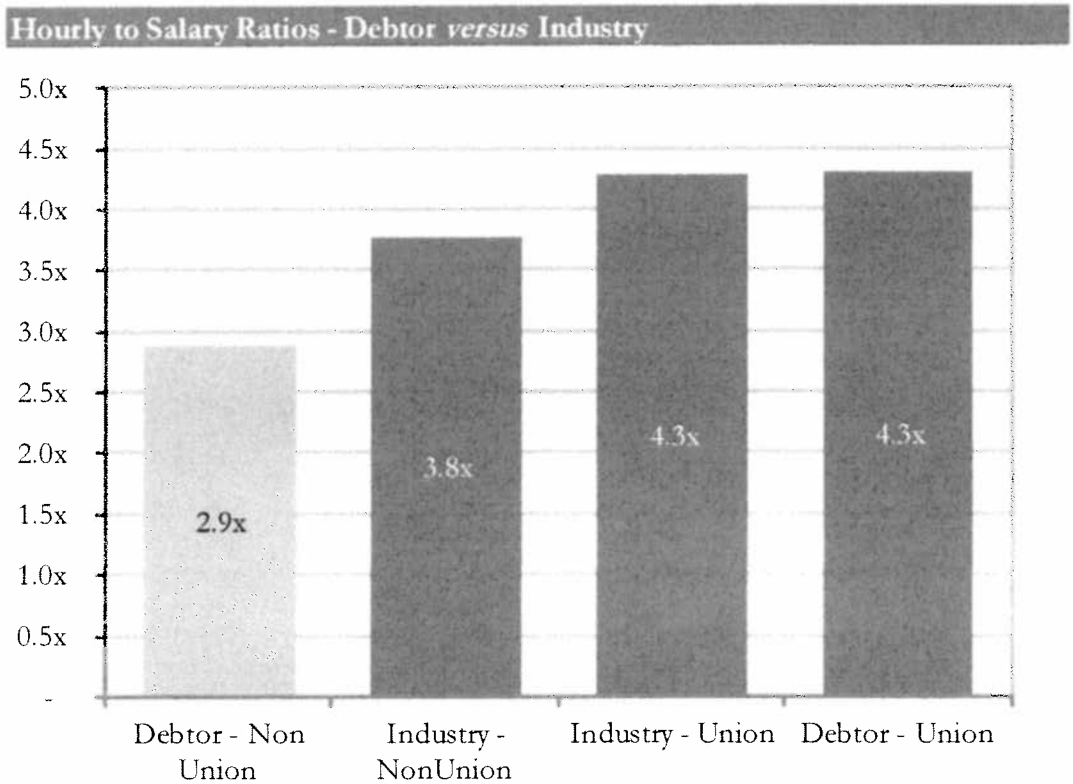
24. In connection with the spin-off from Peabody Coal Co., LLC ("Peabody") in 2007, Patriot and Peabody reached several agreements. One such agreement, the NBCWA Individual Employer Plan Liabilities Assumption Agreement, stipulated that Peabody would agree to assume Patriot's liabilities for provision 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.

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. Patriot's §1114 Proposal

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

PwC – Business Recovery Services

Perry Mandarino – Practice Leader, Business Recovery Services

300 Madison Avenue, New York, NY 10017

Telephone +1 646.471.7589

Mobile +1 201.522.5497

Email perry.mandarino@us.pwc.com

- Perry Mandarino is a Partner in the New York office of PwC and the Business Recovery Services U.S. Practice Leader. With over 25 years of financial restructuring experience, Perry has represented over 300 companies through various out-of-court and Chapter 11 proceedings.
- His assignments have included both chief restructuring officer and advisory roles for clients, complex debt restructurings, strategic planning, preparation of turnaround, business and plans of reorganization and cash flow analyses. In fiduciary roles, Perry oversaw the sales process at Polaroid, the Disney Stores, Hoboken Hospital, Summit Global, among others. Perry has a broad range of restructuring and bankruptcy industry experience, including retail, distribution, communications, business services, manufacturing, healthcare, construction and real estate companies.
- Some of Perry's notable assignments have included: Chrysler, Filenes Basement, Hoop Holdings, Inc. d/b/a/ The Disney Stores, Polaroid, Inc., Summit Global Logistics, Hoboken University Medical Center and MIIX Group. Perry has extensive experience in the Bankruptcy Courts in the Districts of Delaware, New Jersey and New York, where he has testified and been qualified as an expert in matters related to financial viability, valuation, general reorganization matters and financing.
- Prior to joining PwC in 2009, Perry was a Senior Managing Director of Traxi, LLC. Prior to joining Traxi, Perry spent 14 years at a Big Five firm, where he was a Partner in the Firm's Global Corporate Finance - Corporate Restructuring Group. Perry also was managing director of restructuring in a boutique investment banking firm.
- Perry received a Bachelor's degree from Seton Hall University and is a CPA in the State of New Jersey. Perry is a member of the AICPA, the New Jersey Society of Certified Public Accountants, the New York Society of Certified Public Accountants, and the American Bankruptcy Institute. Perry has lectured to various groups on bankruptcy issues and the reorganization process.

Perry's client experience includes leading roles for:

- Polaroid (Exmainer)
- Summit Global Logistics (Examiner)
- Kara Homes, Inc (CRO)
- Hoop Holdings, LLC (CRO)
- The MIIX Group (CRO)
- NationsRent (UCC/Trustee)
- Berger Holdings (Past Board Member)
- Hoboken University Medical Center
- Rural Utility Company (confidential)
- Chrysler Automotive
- Mervyns Stores
- Urban Brands
- deCODE genetics
- American Home Mortgage
- Trump's Casinos
- Marcal Paper
- Carlton Cove
- Fruehauf Trailers Corp.
- National Envelope
- Perry H. Koplik & Sons
- Fruit of the Loom
- Filene's Basement
- PHP Healthcare
- Linens N' Things
- Boscov's
- Syms Corp.
- Louis Berger Group
- A&P
- Chef Solutions (Orval Kent)
- SDA, Inc.
- Ritz Camera & Imaging
- Big M, Inc.

Appendix B

Materials Considered and/or Relied Upon

I. Public Resources

- Bloomberg Financial Data
- Monthly Operating Reports (Docket Items 474, 793, 1500, 1584, 1806, 2904, 2905, 3351)
- SEC Public Filings

II. Subscription Resources

- InfoMine USA, Inc. "*U.S. Coal Mine Salaries, Wages & Benefits: 2012 Survey Results.*"
- S&P Capital IQ
- WoodMackenzie

III. Resources from the Debtors' Data Room

- 1113 Calculation (Data Room Items 1.2.15, 1.2.18.1, 1.2.18.7, 1.2.18.8, 1.2.18.9, 1.2.18.10, 1.2.18.11, 1.2.18.12, 1.2.25.6, 1.2.42.1, Folder 1.2.26, Folder 1.2.31, Folder 1.2.41)
- 1113 Proposal (Data Room Items 1.2.13, 1,5.1, 1.5.2, and 1.5.3)
- 1113 Savings Summary and Presentation (Data Room Items 1.2.14, 1.2.16)
- 1114 Proposal (Data Room Items 1.2.15, 1.5.1, 1.5.2, 1.5.3, and 1.5.5)
- 7 Day Work Schedules (Data Room Items 1.2.34.1, 1.2.36.1, 1.2.39.1, 1.2.39.2, 1.2.39.3, 1.2.39.4, 1.2.30)
- Capital Expenditures (Data Room Item 1.2.25.2, 1.2.25.5)
- Hourly to Salary Ratios (Data Room Items 1.1.11.2, 1.1.11.3, 1.1.11.4, 1.2.45.1, 1.2.12.5)
- Patriot Five Year Business Plan (Data Room Items 1.2.2.3)
- PCX - DIP Lender Presentation (Data Room Item 1.1.7.2)
- PCX - CIM (Data Room Item 1.1.7.1)

- Presentation to the United Mine Workers of America (Data Room Item 1.2.16)
- UMWA Peabody Assumed Retirees (Data Room Item 1.1.5.14, 1.2.24.5)
- UMWA Patriot Retirees (Data Room Item 1.1.5.15, 1.2.24.5)

IV. Other Resources Provided by the Debtors

- UCC Update Presentation 120512 (FINAL)

{In Archive} PwC Information Request

Adam Rosen to: KHiltz 11/19/2012 07:29 PM

Cc: mhuebner, "Susan Jennik", "Grant Crandall", "Art Traynor", "Judy Rivlin", Perry Mandarino, Bruce M Buchanan, jmazzotti

From: Adam Rosen/US/FAS/PwC
To: KHiltz@AlixPartners.com
Cc: mhuebner@dpw.com, "Susan Jennik" <sjennik@kjmlabor.com>, "Grant Crandall" <gcrandall@umwa.org>, "Art Traynor" <atraynor@umwa.org>, "Judy Rivlin" <jrivlin@umwa.org>, Perry Mandarino/US/FAS/PwC@Americas-US, Bruce M
Archive: This message is being viewed in an archive.

Ken,

Attached please find an initial list of high priority due diligence items. Can you please provide us with the items listed on the attached at your earliest convenience?

We would also like to schedule a diligence session with you and your team for the week after Thanksgiving. Please let me know a day/time that is convenient for you.

Thanks.

Best regards,
Adam

PWC - Request List 11 19 2012.pdf

Adam M. Rosen
PricewaterhouseCoopers LLP (pwc.com)
300 Madison Avenue
New York, NY 10017
Telephone: +1 646 471 7763
Facsimile: +1 813 329 9769
Mobile: +1 973 768 8177
adam.rosen@us.pwc.com

#	Requested Item
1	Excel version of business plan reflected in the §1113/1114 proposal presentation
2	Excel version of the business plan that does not contemplate §1113/1114 savings – e.g. model the "Cash Without 1113/1114 Savings" from page 32 of the presentation is based on
3	List of all actions already taken to conserve cash, including date implemented, cash savings by year and cost to implement – e.g. support and detail behind the 2nd bullet on page 9, 3rd bullet of page 27 and page 28 of the 1113/1114 proposal presentation
4	Further detail of all post-filing cash savings initiatives referenced on page 29 of the § 1113/1114 proposal presentation
5	Detail of all proposed savings related to corporate positions and non-unionized mines assumed in the business plan
6	Copies of any diligence reports or solvency opinions prepared in connection with the Peabody and Arch transactions
7	For each mine, please provide: By category, for each quarter beginning 1Q'09, through present and projections through 2016. A. # of union employees – Wages – Regular – Overtime – 1974 Pension Contribution – 401(k) contribution – Other remuneration (provide detailed description of each type, in addition to amount.) B. Non-union employee – Wages – Regular – Overtime – Pension or other defined benefit retirement plan contribution. – 401(k) contribution. – Other remuneration (provide detailed description of each type, in addition to amount.) C. # of contractor employees – Total cost of contractors at operation – Wages – Regular – Overtime
8	For each mine, a summary of total labor costs for each of the past two full years and YTD (2010, 2011, and YTD 2012), broken out as follows: – Total straight time wages and total number of straight time hours worked – Total overtime wages and total number of overtime hours worked – Total of all other wage payments (e.g., shift differentials) and supporting details of hours worked for such payments – Total paid time off payments, broken out by vacation, holiday, sick time, personal time, or other pertinent categories – Total hours worked for which contributions into the various UMWA multiemployer pension and health & welfare funds were required, and total amounts paid into each such fund – Total contributions into the UMWA multiemployer pension or H&W funds that were dependent on coal purchases, as stipulated in the relevant CBAs, and the basis for such payments (e.g., units of coal and applicable contribution amount) – Total P&L expense incurred for retiree medical obligations (e.g., FAS 106 expense - not cash benefit costs) – Payroll taxes paid for FICA, Medicare, and state and federal unemployment taxes

	– Any bonus, profit sharing, or other similar payments – Workers compensation expense – Another other compensation expense not otherwise specified above
9	Per the section 1113/1114 proposal, please provide summary plan descriptions (SPDs) for current active employee benefits (both union and non-union) and for proposed 90/10 plan.
10	• In excel, a full and complete census showing each individual union employee, please indicate employee indicator, DOB, DOH, base salary, other compensation (incentive, bonus, etc), hours worked, overtime hours/double time/ triple time, wage rate, job grade, 401(k) deferral, 401(k) employer match, paid time off eligibility, extended healthcare participation, clothing allowance, current severance eligibility, any other benefits. Within this census also include indicator for OPEB plan participation/active medical plan participation, eligibility to participate in OPEB, compensation used to calculate OPEB benefit, status (Terminated vested, retiree, fully eligible actives, not fully eligible actives), separate APBO and service cost for Health and life insurance , health plan enrollment (medical, dental, life, etc), for each health plan coverage elected (single, employee +1, etc) • For the excel showing APBO benefits, please provide the version used by the actuaries
11	Per the section 1113/1114 proposal, please provide employee benefit and compensation plans/policies Fringe/ P&L costs (e.g., retirement, health and welfare, other incentive compensation, deferred compensation, paid time off, etc.) for non-union employees. Please also provide costs as a percentage of pay.

{In Archive} Re: Due Diligence matters

Adam Rosen to: Hiltz, Ken <KHiltz@alixpartners.com> 11/26/2012 06:43 PM

Cc: Art Traynor, "Hatfield, Ben", Bruce M Buchanan, "Buschmann, Mark", "Lucha, Dale", "'Hartsog, Kent'", "'Moskowitz, Elliot'", Grant Crandall, "Huffard, Flip", "Bean, Joe", "Lushefski, Jack",

From: Adam Rosen/US/FAS/PwC
To: "Hiltz, Ken" <KHiltz@alixpartners.com>@INTL
Cc: Art Traynor <atraynor@umwa.org>, "Hatfield, Ben" <BHatfield@patriotcoal.com>, Bruce M Buchanan/US/FAS/PwC@Americas-US, "Buschmann, Mark" <Buschmann@Blackstone.com>, "Lucha, Dale" <DLucha@patriotcoal.com>, "'Hartsog, Kent'" <ehartsog@patriotcoal.com>,
Archive: This message is being viewed in an archive.

Thank Ken.

Please see below in response to your questions on our information request.

- Regarding request 10, please include on file 1.2.11.6 : 1) Union indicator (i.e., Apogee, Hobet, Fairley Eagle, etc) 2) Medical coverage by tier (employee, employee + 1, family, etc).
- Regarding request 11, please provide current non-union employee fringe cost (as a percentage of base pay) for each of the benefit plans (i.e., retirement, health and welfare, paid time off, etc).

Also, we would like to schedule a call with Mercer to discuss the census file provided. Can you help coordinate a call for either Wednesday or Thursday?

Mark and Flip,

Can you please provide a functioning version of the business plan model posted to the dataroom, including any additional supporting schedules, analyses or calculations?

Thanks.

"Hiltz, Ken" Adam, Attached please find two status reports in... 11/21/2012 02:43:05 PM

From: "Hiltz, Ken" <KHiltz@alixpartners.com>
To: Adam Rosen/US/FAS/PwC@Americas-US, Susan Jennik <sjennik@kjmlabor.com>, Grant Crandall <gcrandall@umwa.org>, Art Traynor <atraynor@umwa.org>, Judy Rivlin <jrivlin@umwa.org>, Perry Mandarino/US/FAS/PwC@Americas-US, Bruce M Buchanan/US/FAS/PwC@Americas-US
Cc: "'Moskowitz, Elliot'" <elliot.moskowitz@davispolk.com>, "Mazzotti, Joseph" <jmazzotti@alixpartners.com>, "Bean, Joe" <JBean@patriotcoal.com>, "Huebner, Marshall S." <marshall.huebner@davispolk.com>, "Hatfield, Ben" <BHatfield@patriotcoal.com>, "Lushefski, Jack" <JLushefski@patriotcoal.com>, "Buschmann, Mark" <Buschmann@Blackstone.com>, "Huffard, Flip" <Huffard@Blackstone.com>, "'Hartsog, Kent'" <ehartsog@patriotcoal.com>, "Luna, Michael" <MLuna@patriotcoal.com>, "Lucha, Dale" <DLucha@patriotcoal.com>
Date: 11/21/2012 02:43 PM
Subject: Due Diligence matters

Adam,

Attached please find two status reports in response to PwC's information requests dated 10/31/12 and 11/19/12. As you will see, we have nearly completed posting data in response to the 10/31/12 requests, and the data room already contains information responsive to several of the 11/19/12 requests. Please note that we have questions with respect to a few of the requests; we have embedded those questions in the status reports and are available at your convenience to discuss them further. Please do not hesitate to contact us with any questions, and we will continue to post data on a rolling basis.

With respect to a possible meeting next week, please provide us with a brief agenda and a list of attendees from your side and I will try to organize to have the right people available. I am available by cell and email throughout the weekend.

Happy Thanksgiving to all.

Ken

Kenneth A. Hiltz

Managing Director

AlixPartners | 300 N. LaSalle St. Suite 1900 | Chicago, IL 60654

+1.312.762.3377 (o) | +1.248.760.4321 (m) | +1.312.346.2500 (main)

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Follow us on LinkedIn | Twitter | Facebook

[attachment "11-21-12 Status Report in Response to PWC data request of 10-31-12.pdf" deleted by Adam Rosen/US/FAS/PwC] [attachment

"11-21-12 Status Report in Response to PWC data request of 11-19-12.pdf" deleted by Adam Rosen/US/FAS/PwC]

{In Archive} RE: Due Diligence matters

Moskowitz, Elliot to: Adam Rosen, KHiltz@alixpartners.com 12/03/2012 01:38 PM

Cc: Art Traynor, "Hatfield, Ben" , Bruce M Buchanan, "Buschmann, Mark", "Lucha, Dale", "'Hartsog, Kent'" , Grant Crandall, "Huffard, Flip", "Bean, Joe", "Lushefski, Jack", "Mazzotti, Joseph"

From: "Moskowitz, Elliot" <elliot.moskowitz@davispolk.com>
To: Adam Rosen/US/FAS/PwC@Americas-US, "KHiltz@alixpartners.com" <KHiltz@alixpartners.com>
Cc: Art Traynor <atraynor@umwa.org>, "Hatfield, Ben" <BHatfield@patriotcoal.com>, Bruce M Buchanan/US/FAS/PwC@Americas-US, "Buschmann, Mark" <Buschmann@Blackstone.com>, "Lucha, Dale" <DLucha@patriotcoal.com>, "'Hartsog, Kent'" <ehartsog@patriotcoal.com>,

History: This message has been forwarded.
Archive: This message is being viewed in an archive.

Adam,

In response to your request below regarding the functioning version of the business plan, attached please find the Debtors' model (we will also post it to the data room today). The attached model is 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 model has been designed to present Patriot's five-year financial forecast to third-parties and allow for the Company and its advisors to see the impact of making adjustments to the Company's capital structure. It has not been designed to sensitize operational drivers because, among other things, responses to operational and market changes require the exercise of judgment by Patriot's management team. We would be happy to answer any questions about the model or arrange a meeting to demonstrate the model in person.

Best,
Elliot

From: adam.rosen@us.pwc.com [mailto:adam.rosen@us.pwc.com]
Sent: Monday, November 26, 2012 6:44 PM
To: KHiltz@alixpartners.com
Cc: Art Traynor; Hatfield, Ben; bruce.m.buchanan@us.pwc.com; Buschmann, Mark; Lucha, Dale; 'Hartsog, Kent'; Moskowitz, Elliot; Grant Crandall; Huffard, Flip; Bean, Joe; Lushefski, Jack; Mazzotti, Joseph; Judy Rivlin; Huebner, Marshall S.; Luna, Michael; perry.mandarino@us.pwc.com; Susan Jennik
Subject: Re: Due Diligence matters

Thank Ken.

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Also, we would like to schedule a call with Mercer to discuss the census file provided. Can you help coordinate a call for either Wednesday or Thursday?

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To: Adam Rosen/US/FAS/PwC@Americas-US, Susan Jennik <sjennik@kjmlabor.com>, Grant Crandall <gcrandall@umwa.org>, Art Traynor <atraynor@umwa.org>, Judy Rivlin <jrivlin@umwa.org>, Perry Mandarino/US/FAS/PwC@Americas-US, Bruce M Buchanan/US/FAS/PwC@Americas-US
Cc: "'Moskowitz, Elliot'" <elliot.moskowitz@davispolk.com>, "Mazzotti, Joseph" <jmazzotti@alixpartners.com>, "Bean, Joe" <JBean@patriotcoal.com>, "Huebner, Marshall S." <marshall.huebner@davispolk.com>, "Hatfield, Ben" <BHatfield@patriotcoal.com>, "Lushefski, Jack" <JLushefski@patriotcoal.com>, "Buschmann, Mark" <Buschmann@Blackstone.com>, "Huffard, Flip" <Huffard@Blackstone.com>, "'Hartsog, Kent'" <ehartsog@patriotcoal.com>, "Luna, Michael" <MLuna@patriotcoal.com>, "Lucha, Dale" <DLucha@patriotcoal.com>
Date: 11/21/2012 02:43 PM
Subject: Due Diligence matters

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Ken

Kenneth A. Hiltz

Managing Director

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[attachment "11-21-12 Status Report in Response to PWC data request of 10-31-12.pdf" deleted by Adam Rosen/US/FAS/PwC] [attachment "11-21-12 Status Report in Response to PWC data request of 11-19-12.pdf" deleted by Adam Rosen/US/FAS/PwC]

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