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*Counsel for the Debtors and  
 Debtors in Possession*

**IN THE UNITED STATES BANKRUPTCY COURT  
 FOR THE EASTERN DISTRICT OF VIRGINIA  
 RICHMOND DIVISION**

In re:	)	
	)	Chapter 11
	)	
PATRIOT COAL CORPORATION, <u>et al.</u> ,	)	Case No. 15-32450 (KLP)
	)	
Debtors.	)	Jointly Administered
	)	

**NOTICE OF FILING OF TERM SHEET IN CONNECTION WITH DEBTORS'  
 MOTION FOR ENTRY OF AN ORDER (I) SCHEDULING COMBINED HEARING ON  
 APPROVAL OF A REVISED DISCLOSURE STATEMENT AND CONFIRMATION OF  
 A REVISED PLAN, (II) APPROVING THE FORM AND MANNER OF NOTICE OF  
 THE COMBINED HEARING, (III) SHORTENING THE NOTICE OF THE COMBINED  
 HEARING AND THE DEADLINE FOR FILING OBJECTIONS, (IV) MAINTAINING  
 THE VOTING RECORD DATE, (V) APPROVING THE SUBMISSION OF VOTES TO  
 ACCEPT OR REJECT THE PLAN THROUGH AN "E-BALLOT" PLATFORM; (VI)  
 ESTABLISHING THE VOTING DEADLINE, (VII) ESTABLISHING THE OBJECTION  
DEADLINE, AND (VIII) GRANTING RELATED RELIEF**

**PLEASE TAKE NOTICE THAT** on September 15, 2015, the Debtors filed the  
*Debtors' Motion for Entry of an Order (I) Scheduling Combined Hearing on Approval of a  
 Revised Disclosure Statement and Confirmation of a Revised Plan, (II) Approving the Form and*

*Manner of Notice of the Combined Hearing, (III) Shortening the Notice of the Combined Hearing and the Deadline for Filing Objections; (IV) Maintaining the Voting Record Date; (V) Approving the Submission of Votes to Accept or Reject the Plan Through an "E-Ballot" Platform; (VI) Establishing the Voting Deadline; (VII) Establishing the Objection Deadline; and (VIII) Granting Related Relief [Docket No. 1275] (the "Motion").*

**PLEASE TAKE FURTHER NOTICE THAT** the Motion contemplates that **Exhibit C** thereto, the Transaction Term Sheet (the "Transaction Term Sheet"), would be filed subsequent to the filing of the Motion.

**PLEASE TAKE FURTHER NOTICE THAT** attached hereto is a copy of the Transaction Term Sheet.

**PLEASE TAKE FURTHER NOTICE THAT** the Transaction Term Sheet reflects the current terms being negotiated by the parties and is subject to change. Definitive transaction terms will be included in subsequent filings. The current version of the Transaction Term Sheet does not constitute an amendment (or consent to any amendment) to that certain Asset Purchase Agreement, dated as of June 22, 2015 (the "Blackhawk APA"), among Blackhawk Mining LLC and its affiliates and subsidiaries and certain of the Debtors. Any amendments to the Blackhawk APA shall be subsequently filed under separate cover.

Dated: September 15, 2015  
Richmond, Virginia

Respectfully submitted,

/s/ Michael A. Condyles

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*Counsel for the Debtors and  
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**BLACKHAWK MINING LLC**  
**\$401.2 MILLION FIRST LIEN TERM LOAN**  
**\$115 MILLION 1.5 TERM LOAN**  
**SUMMARY OF PRINCIPAL TERMS AND CONDITIONS**

Set forth below is a summary (the “**First Lien Term Sheet**”) of the principal terms and conditions for the First Lien Facilities (as defined below) for Blackhawk Mining LLC. This summary of terms is for indicative purposes only. It does not purport to summarize all terms of the definitive documentation with respect to the First Lien Facilities (the “**First Lien Credit Documentation**”). Further, as the First Lien Credit Documentation is not fully negotiated, these terms are subject to change in all respects, and reference should be made to the First Lien Credit Documentation for the final terms of the First Lien Facilities. Capitalized terms not defined herein shall have the meaning attributed to them in the Asset Purchase Agreement (as defined below).

This First Lien Term Sheet reflects the current terms being negotiated by certain parties in interest in Patriot’s Bankruptcy Case. The First Lien Term Sheet does not constitute an amendment (or consent to any amendment) to the Asset Purchase Agreement by Buyer. Any amendments (if any) to the Asset Purchase Agreement shall be memorialized in accordance with the terms thereof

**Borrower:** Blackhawk Mining LLC, a Kentucky limited liability company (the “**Borrower**”).

**First Lien Administrative Agent:** Deutsche Bank AG New York Branch (“**DBNY**”) will act as sole administrative agent and collateral agent (in such capacities, the “**First Lien Administrative Agent**”) for the first lien lenders under the First Lien Term Loan (the “**First Lien Term Lenders**”) and the first lien lenders under the 1.5 Lien Term Loan (the “**1.5 Lien Lenders**” and together with the First Lien Term Lenders, the “**First Lien Lenders**”), and will perform the duties customarily associated with such roles.

**Sole Lead Arranger and Book-Running Manager:** Deutsche Bank Securities Inc. will act as sole lead arranger and sole book-running manager for the First Lien Term Loan (as defined below), and will perform the duties customarily associated with such roles.

**Amount:**<sup>1</sup> A senior secured first lien term loan facility (a) with a term loan tranche in an aggregate principal amount of up to \$401.2 million (the “**First Lien Term Loan**”) and (b) a term loan tranche in the aggregate principal amount of \$115.0 million (the “**1.5 Lien Term Loan**” and together with the First Lien Term Loan, the “**First Lien Facilities**”), which will be payment subordinated to the First Lien Term Loan. Holders of [the 1.5 Lien Term Loan] shall also receive penny warrants to acquire a 35% equity interest in the form of Class B units in Blackhawk Mining LLC.

**Use of Proceeds:** As provided in the Asset Purchase Agreement, dated as of June 22, 2015 among the Borrower, Patriot Coal Corporation and the other parties

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<sup>1</sup> **NTD:** All dollar figures assume the transactions contemplated herein are consummated on or before October 1, 2015, (it being understood such figures will be adjusted to account for the consummation of the transactions on October 19, 2015 or such other date as may be agreed).

***First Lien Facilities Term Sheet  
Subject to FRE 408***

thereto (as may be amended, amended and restated or otherwise modified from time to time, the “***Asset Purchase Agreement***”), which will provide for (a) with respect to the First Lien Term Loan, (i) \$114.8<sup>2</sup> million to satisfy the Existing Patriot DIP Facility, (ii) up to \$71.4 million of First Lien Term Loan (together with up to \$37.0 million of Second Lien Term Loan) in exchange for \$57.1 million in cash to satisfy Existing Blackhawk Indebtedness of JR Acquisition, LLC and (iii) up to \$215.0 million to satisfy other Existing Blackhawk Indebtedness and (b) with respect to the 1.5 Lien Term Loan, up to \$115.0 million of 1.5 Lien Term Loan in exchange for \$80.0 million in cash, of which up to \$30 million may be provided to Patriot to fund the wind down of the Patriot estate with the remainder to be used for general working capital of the Borrower and its subsidiaries. The consummation of the \$57.1 million investment in the Borrower referenced in clause (a)(ii) shall be a condition to the consummation of the other transaction contemplated herein.

**Maturity:**

The maturity date of the First Lien Facilities shall be five (5) years from the closing date (the “***First Lien Maturity Date***”).

**Amortization:**

Annual amortization (payable in 4 equal quarterly installments) of the First Lien Facilities shall be required in an amount equal to 1.0% of the initial aggregate principal amount of the First Lien Facilities starting with the first quarter ending in 2017.

**Incremental Facilities:**

The Borrower will have the right to solicit existing Lenders and Additional Lenders (as defined below) to provide incremental commitments consisting of one or more increases to the First Lien Term Loan and/or one or more new tranches of term loans to be made available under the First Lien Credit Documentation (hereinafter the “***Incremental Facilities***”) in an aggregate amount not to exceed \$50 million, on terms agreed by the Borrower, the First Lien Administrative Agent and the lenders providing the respective Incremental Facility; *provided*, that

- (a) no default or event of default exists or would exist after giving effect thereto, except in the case of an Incremental Facility incurred to finance a permitted acquisition or other permitted investment where no payment or bankruptcy event of default will be the standard,
- (b) all of the representations and warranties contained in the First Lien Credit Documentation shall be true and correct in all material respects (or, in all respects, if qualified by materiality),

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<sup>2</sup> Assuming the Existing Patriot DIP Facility (as of the date hereof) is fully drawn, the \$114.8 million will be issued on any closing date prior to November 1, 2015. and Such amount will be adjusted to reflect the actual amount of the Existing Patriot DIP Facility on the closing date, including, increase if the closing occurs later than November 1, 2015 to reflect additional interest earned for periods beyond November 1; all numbers relating to the First Lien Term Loan shall increase to permit the increase in such principal amount.

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(except where customary “Sungard” or “certain funds” conditionality is otherwise agreed to by the lenders providing such Incremental Facility, in which case such limited conditionality shall apply),

- (c) any such Incremental Facility shall benefit from the same guarantees as, and be secured on a pari passu basis by the same Collateral (as defined below) securing, the First Lien Term Loan,
- (d) the Borrower is in pro forma compliance with the Financial Covenant (as defined below) as of the most recently ended fiscal quarter for which financial statements are available (determined after giving effect to the full utilization of the commitments provided under such Incremental Facility), and
- (e) unless such Incremental Term Loans are made a part of the First Lien Term Loan (in which case all terms thereof shall be identical to those of the First Lien Term Loan), the loans to be made under an Incremental Facility (each, an “***Incremental Term Loan***”) shall be subject to the same terms as the First Lien Term Loan (including voluntary and mandatory prepayment provisions) with such changes as are reasonably satisfactory to the First Lien Administrative Agent, except that,
  - (i) the interest margins for the Incremental Term Loans shall be determined by the Borrower and the lenders providing such incremental facility; *provided*, that the “effective yield” on the respective Incremental Term Loans issued within 18 months after the closing date (which, for such purposes only, shall be deemed to take account of interest rate benchmark floors, recurring fees and all upfront or similar fees or original issue discount (amortized over the shorter of (A) the weighted average life of such Incremental Term Loans and (B) four years) payable to all lenders providing such Incremental Term Loans, but exclusive of any arrangement, structuring or other fees payable in connection therewith that are not shared with all lenders providing such Incremental Term Loans) may exceed the then “effective yield” on the First Lien Term Loan (determined on the same basis as provided in the preceding parenthetical) by more than 0.50% only if the “effective yield” on the First Lien Term Loan (determined on the same basis as provided in the second preceding parenthetical) is increased to be not less than (after giving effect to any increase to the “effective yield” on any term loans that are in the First Lien Term Loan) the “effective yield” on such Incremental Term Loans minus 0.50% per annum,
  - (ii) the final stated maturity date for such Incremental Term Loans may be identical to or later (but not earlier) than

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the final stated maturity date then applicable to the First Lien Term Loan,

- (iii) the amortization requirements for such Incremental Term Loans may differ, so long as the average weighted life to maturity of such Incremental Term Loans is no shorter than the average weighted life to maturity applicable to the then outstanding First Lien Term Loan and
- (iv) other terms may be included with respect to such Incremental Term Loans if applicable only to periods after the final stated maturity date then applicable to the First Lien Term Loan (or if such terms are also provided for the benefit of the First Lien Term Loan).

The Borrower may seek commitments in respect of the Incremental Facilities from existing First Lien Lenders (each of which shall be entitled to agree or decline to participate in its sole discretion) and additional banks, financial institutions and other institutional lenders or investors who will become incremental lenders in connection therewith reasonably acceptable to the First Lien Administrative Agent (the “***Additional Lenders***”).

**Guaranties:**

All obligations under the First Lien Facilities will be guaranteed by each direct and indirect subsidiary of the Borrower other than:

- (a) immaterial subsidiaries,
- (b) foreign subsidiaries that are controlled foreign corporations (“***CFCs***”) within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended from time to time (the “***Code***”), and any subsidiaries of such CFCs,
- (c) any subsidiary that has no material assets other than the equity and/or debt interests of one or more foreign subsidiaries that are CFCs (“***FSHCO***”) and
- (d) unrestricted subsidiaries (each, a “**Guarantor**” and, collectively, the “***Guarantors***”, and, collectively with the Borrower, the “***Obligors***”) shall be required to provide an unconditional guaranty on a joint and several basis (collectively, the “***First Lien Guaranties***”) of all amounts owing under the First Lien Facilities.

Such Guaranties shall be guarantees of payment and not of collection.

**Security:**

Subject to the terms of the Intercreditor Agreements (as defined below), all amounts owing under the First Lien Facilities (and all obligations under the First Lien Guaranties) will be secured by (x) a first priority perfected security interest in all stock, other equity interests,

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intercompany debt and promissory notes owned by the Borrower and the Guarantors ((1) limited to 65% of the voting stock and 100% of the non-voting stock in the case of equity interests of CFCs and FSHCOs and (2) excluding equity interests of unrestricted subsidiaries) and (y) a first priority security interest in substantially all domestic assets, including without limitation, substantially all personal property, owned real property and mixed property of the Borrower and the Guarantors, in each case subject to certain customary exceptions to be set forth in the First Lien Credit Documentation. The Borrower's existing \$13 million letter of credit facility (the "***Existing LC Facility***") will be secured on a pari-passu basis with, will be guaranteed by the same Guarantors as and will be treated under the Intercreditor Agreements and the First Lien Credit Documentation as the same as the First Lien Term Loans.

**New ABL:**

The First Lien Facilities shall provide that Borrower may obtain a separate first priority lien asset-backed lending facility (the "***New ABL***") of up to \$100 million with incremental capacity to increase the aggregate principal amount of the New ABL by \$50 million.

**Second Lien Term Loan**

A senior secured second lien delayed draw term and letter of credit facility in an aggregate principal amount of up to \$[192.0] million (the "***Second Lien Term Loan***"), as may be adjusted as provided in the Asset Purchase Agreement.

**Intercreditor Agreements:**

The priority of the security interests in the collateral and related creditors' rights as among (i) the First Lien Facilities, (ii) the Second Lien Term Loan, (iii) the New ABL and (iv) any other debt will be set forth in one or more customary intercreditor agreements (the "***Intercreditor Agreements***"). The Intercreditor Agreements shall provide, among other things, that the New ABL is secured by (a) first priority liens on all "current" assets (defined in a manner consistent with the Existing Patriot ABL Facility) of the Obligor (including all Purchased Assets that constitute "current" assets), senior in all respects to the liens securing the First Lien Facilities, the Second Lien Term Loan and, subject to customary permitted liens and other liens to be agreed, any other debt of the Obligor and (b) first priority liens on all "fixed" assets of the Obligor, junior only to the liens securing the First Lien Facilities, but senior in all respects to the liens securing the Second Lien Term Loan and, subject to customary permitted liens and other liens to be agreed, any other debt of the Obligor.

**Voluntary Prepayments:**

Voluntary prepayments may be made at any time on three business days' notice, without premium or penalty (except as otherwise provided under the heading "Prepayment Fee" below), in minimum principal amounts to be set forth in the First Lien Credit Documentation.

**Mandatory Repayments:**

Subject to the Intercreditor Agreements (including provisions thereof with respect to collateral on which the New ABL has a senior security interest), mandatory repayments shall be required with respect to the First Lien Term Loans



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- (a) 100% of the net proceeds from asset sales by the Borrower and its restricted subsidiaries (subject to certain exceptions and reinvestment rights to be set forth in the First Lien Credit Documentation),
- (b) 100% of the net proceeds from issuances or incurrences of debt (other than debt permitted to be incurred by the First Lien Credit Documentation) by the Borrower and its restricted subsidiaries,
- (c) starting with the fiscal year ending 2017, 50% (reducing to 25% and 0% based on meeting total net leverage levels of .50x and 1.00x, respectively, inside the Borrower's total net leverage on the closing date) of annual Excess Cash Flow (to be defined in the First Lien Credit Documentation) of the Borrower and its restricted subsidiaries and
- (d) 100% of the net proceeds from insurance recovery and condemnation events of the Borrower and its restricted subsidiaries (subject to certain exceptions and reinvestment rights to be set forth in the First Lien Credit Documentation).

All mandatory repayments made pursuant to clauses (a) through (d), inclusive, above will, subject to the provisions described under the heading "Waivable Prepayments" below, be applied pro rata to each outstanding tranche of First Lien Term Loan and Incremental Term Loans (if any), and shall be applied, first, in direct order to the next eight scheduled amortization payments of the respective term loans being repaid and, second, pro rata to reduce the remaining amortization payments of the respective term loans being repaid. If no First Lien Term Loans or Incremental Term Loans are outstanding, mandatory repayments shall be applied to cash collateralize reimbursement obligations under the Existing LC Facility.

**Waivable Prepayments:**

First Lien Lenders shall have the right to decline all or a portion of their pro rata share of any mandatory repayment as otherwise required above (excluding scheduled amortizations and mandatory repayments of the type described in clause (b) of the first paragraph of the section above entitled "Mandatory Repayments") on terms to be set forth in the First Lien Credit Documentation, in which case the amounts so declined shall be retained by the Borrower.

**Prepayment Fee:**

The occurrence of any voluntary prepayment (or mandatory prepayment with the proceeds of debt) of the First Lien Term Loan will require payment of a fee (the "***Prepayment Fee***") equal to a percentage of the principal amount subject to such prepayment based upon the date of such prepayment as follows:

Prepayment Date	Prepayment Percentage
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Prior to the 1 <sup>st</sup> Anniversary of the Closing Date	5.0%
On or after the 1 <sup>st</sup> anniversary of Closing Date and prior to the 2 <sup>nd</sup> anniversary of the Closing Date	2.5%
On or after the 2 <sup>nd</sup> anniversary of Closing Date and prior to the 3 <sup>rd</sup> anniversary of the Closing Date	1.0%
On or after the 3 <sup>rd</sup> anniversary of the Closing Date	0.0%

After such 36-month period all prepayments shall be at par with no additional fee

With respect to the 1.5 Lien Term Loan, none.

**Interest Rates:**

With respect to the First Lien Term Loan, 13.5%, payable quarterly in arrears on the last business day of each calendar quarter. The First Lien Term Loan may be issued at a discount to par.

With respect to the 1.5 Lien Term Loan, 5% cash pay, payable quarterly in arrears on the last business day of each calendar quarter and 7% PIK. The 1.5 Lien Term Loan shall be issued at \$35 million discount to par.

Interest will also be payable at the time of repayment of any Loans (on the amount repaid) and at maturity. All interest shall be based on a 360-day year and actual days elapsed.

**Default Interest:**

Overdue principal, overdue interest and other overdue amounts shall bear interest at a rate per annum equal to 2% in excess of the rate then borne. Such interest shall be payable on demand.

**Yield Protection:**

The First Lien Facilities shall include customary protective provisions for such matters as funding losses, illegality and withholding taxes.

**Conditions Precedent:**

Usual and customary for facilities of this type.

**Representations  
and Warranties:**

The First Lien Credit Documentation will contain only the following representations and warranties (applicable to the Borrower and its restricted subsidiaries), with materiality and other exceptions to be agreed: (i) company status, (ii) power and authority, (iii) due authorization, execution and delivery and enforceability, (iv) no violation or conflicts with laws, contracts or charter documents, (v) governmental approvals, (vi) financial statements, financial condition, projections, (vii) absence of material litigation, (viii) true and complete disclosure, (ix) use of proceeds and compliance with margin regulations, (x) income and other material tax returns and payments, (xi) ERISA matters, (xii) compliance with law, (xiii) ownership of property, (xiv) creation, validity, perfection and priority of security interests under the Security

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Documents (to be defined in the First Lien Credit Documentation), (xv) ownership of subsidiaries, (xvi) inapplicability of Investment Company Act, (xvii) employment and labor relations, (xviii) intellectual property, franchises, licenses, permits, etc., (xix) environmental matters, (xx) existing indebtedness, (xxi) maintenance of insurance, (xxii) Patriot Act/“know your customer” laws, (xxiii) OFAC/anti-terrorism and sanctions laws and (xxiv) flood insurance.

**Covenants:**

The First Lien Credit Documentation will contain only the following covenants (applicable to the Borrower and its restricted subsidiaries), with materiality and other exceptions to be agreed (including customary fixed amount and ratio baskets to be agreed):

- (a) ***Affirmative Covenants*** – (i) Compliance with laws and regulations (including, without limitation, ERISA and environmental laws); (ii) payment of income and other material taxes and other obligations; (iii) maintenance of adequate insurance; (iv) preservation of corporate existence, rights (charter and statutory), franchises, permits, licenses, copyrights, trademarks and patents necessary to the business; (v) visitation and inspection rights; (vi) keeping of proper books in accordance with generally accepted accounting principles; (vii) quarterly conference calls with lenders; (viii) maintenance of properties; (ix) further assurances as to perfection and priority of security interests and additional guarantors; (x) notice of defaults, material litigation and certain other material events; (xi) financial and other reporting requirements (including, without limitation, unaudited quarterly and audited annual financial statements for the Borrower and its subsidiaries on a consolidated basis (in accordance with US GAAP), in each case with accompanying management discussion and analysis and, in the case of audited annual financial statements, accompanied by an opinion of a nationally recognized accounting firm (which opinion shall not be subject to any qualification as to “going concern” or scope of the audit), and budgets prepared by management of the Borrower and provided on an annual basis); (xii) use of proceeds; (xiii) maintenance of reserves for certain long-term liabilities and environmental matters; (xiv) change in fiscal year and fiscal quarter; (xv) performance of obligations and (xvi) designation of subsidiaries as “unrestricted subsidiaries” or “restricted subsidiaries”.
- (b) ***Negative Covenants*** – Restrictions (with exceptions to be agreed) on (i) liens; (ii) debt (including guaranties and other contingent obligations), with exceptions to include the Existing LC Facility, the Second Lien Term Loan (including any “AHYDO” catchup payments that may be required to be made), and the New ABL (and any incremental increases thereunder); (iii) mergers and consolidations; (iv) sales, transfers and other dispositions of property and assets (including sale-leaseback transactions but with exceptions to include (x) sales of inventory

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in the ordinary course of business and (y) sales of obsolete or worn out assets); (v) loans, acquisitions, joint ventures and other investments; (vi) dividends and other distributions to, and redemptions and repurchases from, equity holders (with exceptions for tax distributions in accordance with the LLC operating agreement of the Borrower, scheduled junior debt payments, expense reimbursements and other customary exceptions to be agreed); (vii) prepaying, redeeming or repurchasing junior lien, unsecured and subordinated debt; (viii) transactions with affiliates; (ix) restrictions on distributions, advances and asset transfers by subsidiaries; (x) issuances of certain equity interests, (xi) changes in the nature of business; (xii) amending organizational documents; (xiv) hedging obligations; (xv) negative pledges; and (xvi) accounting changes.

- (c) ***Financial Covenant*** – A first lien net leverage ratio maintenance covenant (the “***Financial Covenant***”) (with financial definitions and covenant levels to be set forth in the First Lien Credit Documentation), the first test date of which shall be the end of the fiscal quarter ended June 30, 2016. The Financial Covenant shall be established based on a 50% cushion to Consolidated EBITDA based upon the Borrower’s financial model.

**Unrestricted Subsidiaries:**

The First Lien Credit Documentation will contain provisions pursuant to which, subject to no default or event of default, limitations on investments and other conditions to be set forth in the First Lien Credit Documentation, the Borrower will be permitted to designate any existing or subsequently acquired or organized subsidiary as an “unrestricted subsidiary” and subsequently re-designate any such unrestricted subsidiary as a restricted subsidiary; *provided*, that no subsidiary may be designated as an unrestricted subsidiary if such subsidiary owns or operates Core Mining Property (to be defined in the First Lien Credit Documentation). The designation of any subsidiary as an “unrestricted” subsidiary shall constitute an investment for purposes of the investment covenant in the First Lien Credit Documentation, and the designation of any unrestricted subsidiary as a restricted subsidiary shall be deemed to be an incurrence of indebtedness and liens by a restricted subsidiary of any outstanding indebtedness or liens, as applicable, of such unrestricted subsidiary for purposes of the First Lien Credit Documentation. Unrestricted subsidiaries will not be subject to the representations and warranties, affirmative or negative covenants or events of default provisions of the First Lien Credit Documentation, and the cash held by, the results of operations, indebtedness and interest expense of unrestricted subsidiaries will not be taken into account for purposes of determining compliance with the Financial Covenant or any financial tests contained in such First Lien Credit Documentation.

**Events of Default:**

The First Lien Credit Documentation will include only the following Events of Default (to be applicable to the Borrower and its restricted subsidiaries) with certain customary exceptions, qualifications and grace periods to be set forth therein: (i) nonpayment of principal when due or

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interest, fees or other amounts after a grace period set forth in the First Lien Credit Documentation; (ii) failure to perform or observe covenants set forth in First Lien Credit Documentation, subject (where customary and appropriate) to notice and an appropriate grace period; (iii) any representation or warranty proving to have been incorrect in any material respect (or, in any respect, if qualified by materiality) when made or confirmed; (iv) cross-defaults and cross-acceleration to other indebtedness in an amount to be set forth in the First Lien Credit Documentation; (v) bankruptcy, insolvency proceedings, etc. (with a customary grace period for involuntary proceedings); (vi) inability to pay debts, attachment, etc.; (vii) monetary judgment defaults in an amount to be set forth in the First Lien Credit Documentation; (viii) customary ERISA defaults; (ix) actual invalidity of the security documentation or the First Lien Guarantees or impairment of security interests in the Collateral; (x) Change of Control (to be defined in the First Lien Credit Documentation) and (xi) the Intercreditor Agreements ceasing to be in full force and effect other than in accordance with their terms. The rights and remedies with respect to any Events of Default shall be subject to the Intercreditor Agreements.

**Assignments  
and Participations:**

The Borrower may not assign its rights or obligations under the First Lien Facilities without the prior written consent of the First Lien Lenders. Any First Lien Lender may assign, and may sell participations in, its rights and obligations under the First Lien Facilities, subject (x) in the case of participations, to customary restrictions on the voting rights of the participants and restrictions on participations to the Borrower and its affiliates and (y) in the case of assignments, to such limitations as set forth in the First Lien Credit Documentation (including (i) a minimum assignment amount of \$1,000,000 (or, if less, the entire amount of such assignor's commitments and outstanding Loans at such time), (ii) an assignment fee in the amount of \$3,500 to be paid by the respective assignor or assignee to the First Lien Administrative Agent, (iii) restrictions on assignments to any entity that is not an Eligible Transferee (to be defined in the First Lien Credit Documentation), (iv) the receipt of the consent of the First Lien Administrative Agent (other than with respect to assignments to any First Lien Lender, its affiliates, or an "approved fund"), such consent not to be unreasonably withheld, delayed or conditioned and (v) the receipt of the consent of the Borrower (such consent not to be unreasonably withheld, delayed or conditioned); *provided*, that the Borrower's consent shall not be so required if (x) such assignment is to any First Lien Lender, its affiliates or an "approved fund" of a First Lien Lender, (y) during the "primary syndication" of the First Lien Facilities, or (z) a default or event of default exists under the First Lien Facilities; *provided, further*, that such consent of the Borrower shall be deemed to have been given if the Borrower has not responded within five (5) business days of a request for such consent.

The First Lien Credit Documentation shall provide that the Borrower may offer to purchase loans under the First Lien Facilities at a discount

***First Lien Facilities Term Sheet  
Subject to FRE 408***

to the par value of such loans through customary procedures to be agreed.

**Waivers and Amendments:**

Amendments and waivers of the provisions of the First Lien Credit Documentation will require the approval of First Lien Lenders holding commitments and/or outstandings (as appropriate) representing more than 50% of the aggregate commitments and outstandings under the First Lien Facilities (the “***Required First Lien Lenders***”), except that the consent of each First Lien Lender directly and adversely affected thereby will be required with respect to (i) increases in commitment amounts of such First Lien Lender, (ii) reductions of principal, interest (other than default interest) or fees owing to such First Lien Lender, (iii) extensions of scheduled payments of any Loans (including at final maturity) of such Lender or times for payment of interest or fees owing to such First Lien Lender, (iv) modifications to the pro rata sharing and payment provisions, assignment provisions or the voting percentages and (v) releases of all or substantially all of the collateral; *provided*, that if any of the matters described above is agreed to by the Required First Lien Lenders, the Borrower shall have the right to either (x) substitute any non-consenting First Lien Lender by having its Loans and commitments assigned, at par, to one or more other institutions, subject to the assignment provisions described above, or (y) with the express written consent of the Required First Lien Lenders, terminate the commitment of, and repay the obligations owing to, any non-consenting First Lien Lender, subject to repayment in full of all obligations of the Borrower owed to such First Lien Lender relating to its loans under the First Lien Facilities and participations held by such First Lien Lender with, in the case of either preceding clause (x) or (y), the payment by the Borrower to each non-consenting First Lien Lender of the applicable Prepayment Fee (if such assignment or repayment occurs prior to the 24-month anniversary of the closing date).

In addition, the First Lien Credit Documentation shall provide for the amendment (or amendment and restatement) of the First Lien Credit Documentation to provide for a new tranche of replacement term loans to replace all or part of the First Lien Facilities, subject to customary limitations (including as to tenor, weighted average life to maturity, “effective yield” and applicable covenants prior to the First Lien Maturity Date), with the consent of the First Lien Administrative Agent, the Borrower and the lenders providing such replacement term loans. The First Lien Credit Documentation shall also provide for customary provisions governing extension and refinancing facilities.

**Indemnification; Expenses:**

The First Lien Credit Documentation will contain customary and appropriate provisions relating to indemnity, reimbursement, exculpation and other related matters.

**Governing Law:**

All First Lien Credit Documentation shall be governed by the internal laws of the State of New York (except security documentation that the First Lien Administrative Agent determines should be governed by local law).

**BLACKHAWK MINING LLC**  
**[\$192] MILLION SECOND LIEN TERM FACILITY**  
**SUMMARY OF PRINCIPAL TERMS AND CONDITIONS**

Set forth below is a summary (the “*Second Lien Term Sheet*”) of the principal terms and conditions for the Second Lien Term Loan (as defined below) for Blackhawk Mining LLC. This summary of terms is for indicative purposes only. It does not purport to summarize all terms of the definitive documentation with respect to the Second Lien Term Loan (the “*Second Lien Credit Documentation*”). Further, as the Second Lien Credit Documentation is not fully negotiated, these terms are subject to change in all respects, and reference should be made to the Second Lien Credit Documentation for the final terms of the Second Lien Term Loan. Capitalized terms not defined herein shall have the meaning attributed to them in the Asset Purchase Agreement dated as of June 22, 2015 among the Borrower, Patriot Coal Corporation and the other parties thereto (as may be amended, amended and restated or otherwise modified from time to time, the “*Asset Purchase Agreement*”).

This Second Lien Term Sheet reflects the current terms being negotiated by certain parties in interest in Patriot’s Bankruptcy Case. The Second Lien Term Sheet does not constitute an amendment (or consent to any amendment) to the Asset Purchase Agreement by Buyer. Any amendments (if any) to the Asset Purchase Agreement shall be memorialized in accordance with the terms thereof

**Borrower:** Blackhawk Mining LLC, a Kentucky limited liability company (the “*Borrower*”).

**Second Lien Administrative Agent:** Deutsche Bank AG New York Branch (“*DBNY*”) will act as sole administrative agent and collateral agent (in such capacities, the “*Second Lien Administrative Agent*”) for the second lien lenders (the “*Second Lien Lenders*”), and will perform the duties customarily associated with such roles.

**Sole Lead Arranger and Book-Running Manager:** Deutsche Bank Securities Inc. will act as sole lead arranger and sole book-running manager for the Second Lien Term Loan (as defined below), and will perform the duties customarily associated with such roles.

**Amount:**<sup>1</sup> A senior secured second lien term loan facility in an aggregate principal amount of up to \$[192.0] million (the “*Second Lien Term Loan*”).

**Use of Proceeds:** If the class of claims under the Existing Patriot LC Facility vote in favor of the plan, \$155 million of Second Lien Term Loans shall be distributed, on a pro rata basis, to holders of claims in such class in satisfaction of obligations of up to \$[200] million under the Existing Patriot LC Facility. If the class of claims under the Existing Patriot LC Facility votes against the plan, the Plan shall distribute to holders in such class such consideration as the Court determines is necessary to confirm

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<sup>1</sup> **NTD:** All dollar figures assume the transactions contemplated herein are consummated on or before October 1, 2015 (it being understood such figures will be adjusted to account for the consummation of the transactions on October 19, 2015 or such other date as may be agreed).

*Second Lien Term Loan Term Sheet  
Subject to FRE 408*

the plan under Section 1129(b) after determining the allowed amount of secured claims in such class under Section 506(a). Up to \$37.0 million of the Second Lien Term Loans (together with up to \$71.4 million of First Lien Term Loan) shall be exchanged for \$57.1 million in cash to satisfy Existing Blackhawk Indebtedness of JR Acquisition, LLC. The consummation of such \$57.1 million investment in the Borrower shall be a condition to the consummation of the other transactions contemplated herein.

**Maturity:**

The maturity date of the Second Lien Term Loan shall be [six] years from the closing date (the “**Second Lien Maturity Date**”).

**Amortization:**

None.

**Guaranties:**

All obligations under the Second Lien Term Loan will be guaranteed by each direct and indirect subsidiary of the Borrower other than:

- (a) immaterial subsidiaries,
- (b) foreign subsidiaries that are controlled foreign corporations (“**CFCs**”) within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended from time to time (the “**Code**”), and any subsidiaries of such CFCs,
- (c) any subsidiary that has no material assets other than the equity and/or debt interests of one or more foreign subsidiaries that are CFCs (“**FSHCO**”) and
- (d) unrestricted subsidiaries (each, a “**Guarantor**” and, collectively, the “**Guarantors**”, and, collectively with the Borrower, the “**Obligors**”) shall be required to provide an unconditional guaranty on a joint and several basis (collectively, the “**Second Lien Guaranties**”) of all amounts owing under the Second Lien Term Loan.

Such Guaranties shall be guarantees of payment and not of collection.

**Security:**

Subject to the terms of the Intercreditor Agreements (as defined below), all amounts owing under the Second Lien Term Loan (and all obligations under the Second Lien Guaranties) will be secured by (x) a second priority perfected security interest in all stock, other equity interests, intercompany debt and promissory notes owned by the Borrower and the Guarantors ((1) limited to 65% of the voting stock and 100% of the non-voting stock in the case of equity interests of CFCs and FSHCOs and (2) excluding equity interests of unrestricted subsidiaries) and (y) a second priority security interest in substantially all domestic assets, including without limitation, substantially all personal property, owned real property and mixed property of the Borrower and the Guarantors, in each case subject to certain customary exceptions to be set forth in the Second Lien Credit Documentation.



*Second Lien Term Loan Term Sheet  
Subject to FRE 408*

**New ABL:**

The Second Lien Term Loan shall provide that Borrower may obtain a separate first priority lien asset-backed lending facility (the “*New ABL*”) of up to \$[100] million with incremental capacity to increase the aggregate principal amount of the New ABL by \$[50] million.

**First Lien Facilities**

A senior secured first lien term facility with (a) a term loan tranche in an aggregate principal amount of up to \$401.2 million plus additional amounts for original issue discount, upfront fees and other fees with respect to such facility (the “*First Lien Term Loan*”) and (a) a term loan tranche in the aggregate principal amount of up to \$115.0 million, which will be payment subordinated to the First Lien Term Loan (the “*1.5 Lien Term Loan*”) and together with the First Lien Term Loan (the “*First Lien Facilities*”).

**Intercreditor Agreements:**

The priority of the security interests in the collateral and related creditors’ rights as among (i) the First Lien Facilities, (ii) the Second Lien Term Loan, (iii) the New ABL and (iv) any other debt will be set forth in one or more customary intercreditor agreements (the “*Intercreditor Agreements*”). The Intercreditor Agreements shall provide, among other things, the Second Lien Term Loan is secured by liens junior in all respects to the liens securing the New ABL, the First Lien Facilities. The Borrower’s existing \$13 million letter of credit facility (the “*Existing LC Facility*”) will be secured on a pari-passu basis with, will be guaranteed by the same Guarantors as and will be treated under the Intercreditor Agreements and the First Lien Credit Documentation (as defined below) as the same as the First Lien Term Loans.

**Mandatory Repayments:**

None; *provided*, that the Second Lien Credit Documentation may provide that prior to the close of each accrual period ending on or after the fifth anniversary of the issue date of the Second Lien Term Loan, the Borrower shall prepay the minimum amount of principal and accrued interest on the outstanding Second Lien Term Loan necessary to prevent any of the accrued and unpaid interest or original issue discount on the Second Lien Term Loan from being disallowed or deferred as a deduction under Section 163(e)(5) of the Internal Revenue Code (for the avoidance of doubt, taking into account Treasury Regulation Section 1.701-2(f)) (each such payment, an “*AHYDO Catch-Up Payment*”)

**Prepayment Fee:**

None.

**Interest Rates:**

Second Lien Term Loan shall accrue interest as follows and, to the extent cash pay, payable [quarterly] in arrears on the last business day of each calendar quarter: (a) 2.000% cash coupon in years 1 and 2, stepping up by 100 basis points in each of years 3, 4, 5, and 6, plus (b) 5% PIK..

The Second Lien Term Loan shall be issued at par.

**Default Interest:**

Overdue principal, overdue interest and other overdue amounts shall bear interest at a rate per annum equal to 2% in excess of the rate then borne. Such interest shall be payable on demand.

*Second Lien Term Loan Term Sheet  
Subject to FRE 408*

**Yield Protection:**

The Second Lien Term Loan shall include customary protective provisions for such matters as funding losses, illegality and withholding taxes.

**Conditions Precedent:**

Usual and customary for facilities of this type.

**Representations and Warranties:**

The Second Lien Credit Documentation will contain only the following representations and warranties (applicable to the Borrower and its restricted subsidiaries), with materiality and other exceptions to be agreed: (i) company status, (ii) power and authority, (iii) due authorization, execution and delivery and enforceability, (iv) no violation or conflicts with laws, contracts or charter documents, (v) governmental approvals, (vi) financial statements, financial condition, projections, (vii) absence of material litigation, (viii) true and complete disclosure, (ix) use of proceeds and compliance with margin regulations, (x) income and other material tax returns and payments, (xi) ERISA matters, (xii) compliance with law, (xiii) ownership of property, (xiv) creation, validity, perfection and priority (with appropriate modifications to reflect the second lien status of the Second Lien Term Loan) of security interests under the Security Documents (to be defined in the Second Lien Credit Documentation), (xv) ownership of subsidiaries, (xvi) inapplicability of Investment Company Act, (xvii) employment and labor relations, (xviii) intellectual property, franchises, licenses, permits, etc., (xix) environmental matters, (xx) existing indebtedness, (xxi) maintenance of insurance, (xxii) Patriot Act/"know your customer" laws, (xxiii) OFAC/anti-terrorism and sanctions laws and (xxiv) flood insurance.

**Covenants:**

The Second Lien Credit Documentation will contain only the following covenants (applicable to the Borrower and its restricted subsidiaries), with materiality and other exceptions to be agreed (including customary fixed amount and ratio baskets to be agreed):

- (a) ***Affirmative Covenants*** – (i) Compliance with laws and regulations (including, without limitation, ERISA and environmental laws); (ii) payment of income and other material taxes and other obligations; (iii) maintenance of adequate insurance; (iv) preservation of corporate existence, rights (charter and statutory), franchises, permits, licenses, copyrights, trademarks and patents necessary to the business; (v) visitation and inspection rights; (vi) keeping of proper books in accordance with generally accepted accounting principles; (vii) quarterly conference calls with lenders; (viii) maintenance of properties; (ix) further assurances as to perfection and priority of security interests and additional guarantors; (x) notice of defaults, material litigation and certain other material events; (xi) financial and other reporting requirements (including, without limitation, unaudited quarterly and audited annual financial statements for the Borrower and its subsidiaries on a consolidated basis (in accordance with US GAAP), in each case with accompanying

***Second Lien Term Loan Term Sheet  
Subject to FRE 408***

management discussion and analysis and, in the case of audited annual financial statements, accompanied by an opinion of a nationally recognized accounting firm (which opinion shall not be subject to any qualification as to “going concern” or scope of the audit), and budgets prepared by management of the Borrower and provided on an annual basis); (xii) use of proceeds; (xiii) maintenance of reserves for certain long-term liabilities and environmental matters; (xiv) change in fiscal year and fiscal quarter; (xv) performance of obligations and (xvi) designation of subsidiaries as “unrestricted subsidiaries” or “restricted subsidiaries”. Such affirmative covenants shall include additional cushions, where customary, on thresholds (if any) to the First Lien Facilities of at least 20% greater than the thresholds under the definitive documentation for the First Lien Facilities (the “**First Lien Credit Documentation**”).

- (b) ***Negative Covenants*** – Restrictions (with exceptions to be agreed) on (i) liens; (ii) debt (including guaranties and other contingent obligations), with exceptions to include the Existing LC Facility, the First Lien Facilities, and the New ABL (and any incremental increases thereunder); (iii) mergers and consolidations; (iv) sales, transfers and other dispositions of property and assets (including sale-leaseback transactions but with exceptions to include (x) sales of inventory in the ordinary course of business and (y) sales of obsolete or worn out assets); (v) loans, acquisitions, joint ventures and other investments; (vi) dividends and other distributions to, and redemptions and repurchases from, equity holders (with exceptions for tax distributions in accordance with the LLC operating agreement of the Borrower, scheduled junior debt payments, expense reimbursements and other customary exceptions to be agreed); (vii) prepaying, redeeming or repurchasing junior lien, unsecured and subordinated debt; (viii) transactions with affiliates; (ix) restrictions on distributions, advances and asset transfers by subsidiaries; (x) issuances of certain equity interests, (xi) changes in the nature of business; (xii) amending organizational documents; (xiv) hedging obligations; (xv) negative pledges; and (xvi) accounting changes. Such negative covenants shall include additional cushions, where customary, on thresholds (if any) to the First Lien Facilities of at least 20% greater than the thresholds under the First Lien Credit Documentation.

- (c) ***Financial Covenant*** – None.

**Unrestricted Subsidiaries:**

The Second Lien Credit Documentation will contain provisions pursuant to which, subject to no default or event of default, limitations on investments and other conditions to be set forth in the Second Lien Credit Documentation, the Borrower will be permitted to designate any existing or subsequently acquired or organized subsidiary as an “unrestricted subsidiary” and subsequently re-designate any such unrestricted subsidiary as a restricted subsidiary; *provided*, that no

*Second Lien Term Loan Term Sheet  
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subsidiary may be designated as an unrestricted subsidiary if such subsidiary owns or operates Core Mining Property (to be defined in the Second Lien Credit Documentation). The designation of any subsidiary as an “unrestricted” subsidiary shall constitute an investment for purposes of the investment covenant in the Second Lien Credit Documentation, and the designation of any unrestricted subsidiary as a restricted subsidiary shall be deemed to be an incurrence of indebtedness and liens by a restricted subsidiary of any outstanding indebtedness or liens, as applicable, of such unrestricted subsidiary for purposes of the Second Lien Credit Documentation. Unrestricted subsidiaries will not be subject to the representations and warranties, affirmative or negative covenants or events of default provisions of the Second Lien Credit Documentation, and the cash held by, the results of operations, indebtedness and interest expense of unrestricted subsidiaries will not be taken into account for purposes of determining compliance with any financial tests contained in such Second Lien Credit Documentation.

**Events of Default:**

The Second Lien Credit Documentation will include only the following Events of Default (to be applicable to the Borrower and its restricted subsidiaries) with certain customary exceptions, qualifications and grace periods to be set forth therein: (i) nonpayment of principal when due or interest, fees or other amounts after a grace period set forth in the Second Lien Credit Documentation; (ii) failure to perform or observe covenants set forth in Second Lien Credit Documentation, subject (where customary and appropriate) to notice and an appropriate grace period; (iii) any representation or warranty proving to have been incorrect in any material respect (or, in any respect, if qualified by materiality) when made or confirmed; (iv) cross-defaults and cross-acceleration to other indebtedness in an amount to be set forth in the Second Lien Credit Documentation; (v) bankruptcy, insolvency proceedings, etc. (with a customary grace period for involuntary proceedings); (vi) inability to pay debts, attachment, etc.; (vii) monetary judgment defaults in an amount to be set forth in the Second Lien Credit Documentation; (viii) customary ERISA defaults; (ix) actual invalidity of the security documentation or the Second Lien Guarantees or impairment of security interests in the Collateral; (x) Change of Control (to be defined in the Second Lien Credit Documentation); (xi) the Intercreditor Agreements ceasing to be in full force and effect other than in accordance with their terms and (xii) cross-payment default at maturity and cross-acceleration default (instead of cross-default) to the First Lien Facilities. The rights and remedies with respect to any Events of Default shall be subject to the Intercreditor Agreements. Such Events of Default shall include cushions, where customary, on thresholds (if any) to the First Lien Facilities of at least 20% greater than the thresholds under the First Lien Credit Documentation.

**Assignments  
and Participations:**

The Borrower may not assign its rights or obligations under the Second Lien Term Loan without the prior written consent of the Second Lien Lenders. Any Second Lien Lender may assign, and may sell participations in, its rights and obligations under the Second Lien Term

***Second Lien Term Loan Term Sheet  
Subject to FRE 408***

Loan, subject (x) in the case of participations, to customary restrictions on the voting rights of the participants and restrictions on participations to the Borrower and its affiliates and (y) in the case of assignments, to such limitations as set forth in the Second Lien Credit Documentation (including (i) a minimum assignment amount of \$1,000,000 (or, if less, the entire amount of such assignor's commitments and outstanding Loans at such time), (ii) an assignment fee in the amount of \$3,500 to be paid by the respective assignor or assignee to the Second Lien Administrative Agent, (iii) restrictions on assignments to any entity that is not an Eligible Transferee (to be defined in the Second Lien Credit Documentation), (iv) the receipt of the consent of the Second Lien Administrative Agent (other than with respect to assignments to any Second Lien Lender, its affiliates, or an "approved fund"), such consent not to be unreasonably withheld, delayed or conditioned and (v) the receipt of the consent of the Borrower (such consent not to be unreasonably withheld, delayed or conditioned); *provided*, that the Borrower's consent shall not be so required if (x) such assignment is to any Second Lien Lender, its affiliates or an "approved fund" of a Second Lien Lender, (y) during the "primary syndication" of the Second Lien Term Loan, or (z) a default or event of default exists under the Second Lien Term Loan; *provided, further*, that such consent of the Borrower shall be deemed to have been given if the Borrower has not responded within five (5) business days of a request for such consent.

The Second Lien Credit Documentation shall provide that the Borrower may offer to purchase loans under the Second Lien Term Loan at a discount to the par value of such loans through customary procedures to be agreed.

**Waivers and Amendments:**

Amendments and waivers of the provisions of the Second Lien Credit Documentation will require the approval of Second Lien Lenders holding commitments and/or outstandings (as appropriate) representing more than 50% of the aggregate commitments and outstandings under the Second Lien Term Loan (the "***Required Second Lien Lenders***"), except that the consent of each Second Lien Lender directly and adversely affected thereby will be required with respect to (i) increases in commitment amounts of such Second Lien Lender, (ii) reductions of principal, interest (other than default interest) or fees owing to such Second Lien Lender, (iii) extensions of scheduled payments of any Loans (including at final maturity) of such Lender or times for payment of interest or fees owing to such Second Lien Lender, (iv) modifications to the pro rata sharing and payment provisions, assignment provisions or the voting percentages and (v) releases of all or substantially all of the collateral; *provided*, that if any of the matters described above is agreed to by the Required Second Lien Lenders, the Borrower shall have the right to either (x) substitute any non-consenting Second Lien Lender by having its Loans and commitments assigned, at par, to one or more other institutions, subject to the assignment provisions described above, or (y) with the express written consent of the Required Second Lien Lenders, terminate the commitment of, and repay the obligations owing to, any non-consenting Second Lien Lender, subject to repayment in full of all

*Second Lien Term Loan Term Sheet  
Subject to FRE 408*

obligations of the Borrower owed to such Second Lien Lender relating to its loans under the Second Lien Term Loan and participations held by such Second Lien Lender.

In addition, the Second Lien Credit Documentation shall provide for the amendment (or amendment and restatement) of the Second Lien Credit Documentation to provide for a new tranche of replacement term loans to replace all or part of the Second Lien Term Loan, subject to customary limitations (including as to tenor, weighted average life to maturity, “effective yield” and applicable covenants prior to the Second Lien Maturity Date), with the consent of the Second Lien Administrative Agent, the Borrower and the lenders providing such replacement term loans. The Second Lien Credit Documentation shall also provide for customary provisions governing extension and refinancing facilities.

**Indemnification; Expenses:**

The Second Lien Credit Documentation will contain customary and appropriate provisions relating to indemnity, reimbursement, exculpation and other related matters.

**Governing Law:**

All Second Lien Credit Documentation shall be governed by the internal laws of the State of New York (except security documentation that the Second Lien Administrative Agent determines should be governed by local law).

**BLACKHAWK MINING LLC**

**SUMMARY OF PRINCIPAL TERMS AND CONDITIONS**  
**\$13.5 MILLION RIGHTS OFFERING**

Set forth below is a summary (the “***Rights Offering Term Sheet***”) of the principal terms and conditions for the Rights (as defined below) for Blackhawk Mining LLC. This summary of terms is for indicative purposes only. It does not purport to summarize all terms of the definitive documentation with respect to the Rights (the “***Rights Documentation***”). Further, as the Rights Documentation is not fully negotiated, these terms are subject to change in all respects, and reference should be made to the Rights Documentation for the final terms of the Rights. Capitalized terms not defined herein shall have the meaning attributed to them in the Asset Purchase Agreement (as defined below).

**Issuer:** Blackhawk Mining LLC, a Kentucky limited liability company (the “**Issuer**”).

**Rights:** Rights to purchase for \$13,500,000 in cash:

- \$16,875,000 principal amount of 1<sup>st</sup> Lien Notes; and
- \$ 9,250,000 principal amount of 2<sup>nd</sup> Lien Notes

(the “**Securities**”) The Securities are described in the First Lien Term Sheet and the Second Len Term Sheet, attached.

**Offered to:** The Rights will be offered to holders of claims against Patriot Coal Corporation (“**Patriot**”) arising under or in connection with letters of credit (“**L/Cs**”) issued and term loans (“**Term Loans**”) made under the Credit Agreement (L/C Facility and Term Loan Facility) dated as of December 18, 2013, as amended, who are in each Qualified Institutional Buyers (as defined in Rule 144A). If the Rights are oversubscribed, Rights will be issued first to the L/Cs and second to Term Loans. Any oversubscription within a class shall be cut back pro rata.

**Subscription:** Each holder of an L/C or Term Loan wishing to participate must:

- Commit, in principle and in writing, to purchase Securities on or before **11 p.m. on September 15, 2015; and**
- execute and pre-fund in escrow a subscription agreement (to be negotiated) on or before **4 p.m. on October 2**

**Conditions:** To be set forth in the subscription agreement, including the fulfillment of each of the following conditions by **October 19, 2015:**

- Patriot’s consummation of a chapter 11 plan (the “**Plan**”) that conveys to Issuer the assets identified in their Asset Purchase Agreement dated as of June 22, 2015, as amended (the “**APA**”);
- Issuer’s satisfaction of its obligations under the Plan and APA; and
- Issuer’s refinancing of all of its indebtedness outstanding, as of the date hereof, through the issuance of first lien securities in the amounts and with the terms described in the First Lien Term Sheet.