UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: **December 31, 2021** OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-3473

"COAL KEEPS YOUR LIGHTS ON" "COAL KEEPS YOUR LIGHTS ON"

HALLADOR ENERGY COMPANY
(www.halladorenergy.com)

Colorado	84-1014610
(State of incorporation)	(IRS Employer Identification No.)
1183 East Canvasback Drive, Terre Haute, Indiana	47802
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: 812.299.2800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	HNRG	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "larger accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☐ Large accelerated filer
☑ Non-accelerated filer
☐ Accelerated filer
☑ Smaller reporting company
☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the common stock held by non-affiliates (public float) on June 30, 2021 was $57,303,733 based on the closing price reported that date by the NASDAQ of $2.70 per share.

As of March 23, 2022, we had 30,785,067 shares outstanding. Our Annual Meeting of Shareholders will be held on June 9, 2022 in Terre Haute, IN.

FORWARD-LOOKING STATEMENTS

Certain statements and information in this Annual Report on Form 10-K may constitute "forward-looking statements." These statements are based on our beliefs as well as assumptions made by, and information currently available to us. When used in this document, the words "anticipate," "believe," "continue," "estimate," "expect," "forecast," "may," "project," "will," and similar expressions identify forward-looking statements. Without limiting the foregoing, all statements relating to our future outlook, anticipated capital expenditures, future cash flows and borrowings and sources of funding are forward-looking statements. These statements reflect our current views with respect to future events and are subject to numerous assumptions that we believe are open to a wide range of uncertainties and business risks, and actual results may differ materially from those discussed in these statements. Among the factors that could cause actual results to differ from those in the forward-looking statements are:

- the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses' and governments' responses to the pandemic on our operations and personnel, and on demand for coal, the financial condition of our customers and suppliers, available liquidity and capital sources and broader economic disruptions;
- changes in macroeconomic and market conditions and market volatility arising from the COVID-19 pandemic, including coal, oil, natural gas and natural gas liquids prices, and the impact of such changes and volatility on our financial position;
- the effectiveness or lack of effectiveness in distributed vaccines to reduce the impact of COVID-19;
- changes in competition in coal markets and our ability to respond to such changes;
- changes in coal prices, demand, and availability which could affect our operating results and cash flows;
- risks associated with the expansion of our operations and properties;
- legislation, regulations, and court decisions and interpretations thereof, including those relating to the environment and the release of greenhouse gases, mining, miner health and safety, and health care;
- deregulation of the electric utility industry or the effects of any adverse change in the coal industry, electric utility industry, or general economic conditions;
- dependence on significant customer contracts, including renewing customer contracts upon expiration of existing contracts;
- changing global economic conditions or in industries in which our customers operate;
- recent action and the possibility of future action on trade made by the United States and foreign governments;
- the effect of changes in taxes or tariffs and other trade measures;
- liquidity constraints, including those resulting from any future unavailability of financing;
- customer bankruptcies, cancellations or breaches to existing contracts, or other failures to perform;
- customer delays, failure to take coal under contracts or defaults in making payments;
- adjustments made in price, volume or terms to existing coal supply agreements;
- changes in oil & gas prices, which could, among other things, affect our investments in oil & gas mineral interests;
- our productivity levels and margins earned on our coal sales;
- changes in raw material costs;
- changes in the availability of skilled labor;
- our ability to maintain satisfactory relations with our employees;
- increases in labor costs, adverse changes in work rules, or cash payments or projections associated with workers' compensation claims;
- increases in transportation costs and risk of transportation delays or interruptions;
- operational interruptions due to geologic, permitting, labor, weather-related or other factors;
- risks associated with major mine-related accidents, mine fires, mine floods or other interruptions;
- results of litigation, including claims not yet asserted;
- difficulty maintaining our surety bonds for mine reclamation;
- decline in or change in the coal industry's share of electricity generation, including as a result of environmental concerns related to coal mining and combustion and the cost and perceived benefits of other sources of electricity, such as natural gas, nuclear energy, and renewable fuels;
- difficulty in making accurate assumptions and projections regarding post-mine reclamation;
- uncertainties in estimating and replacing our coal reserves;
- the impact of current and potential changes to federal or state tax rules and regulations, including a loss or reduction of benefits from certain tax deductions and credits;
- difficulty obtaining commercial property insurance;
- evolving cybersecurity risks, such as those involving unauthorized access, denial-of-service attacks, malicious software, data privacy breaches by employees, insiders or others with authorized access, cyber or phishing-attacks, ransomware, malware, social engineering, physical breaches or other actions;

- difficulty in making accurate assumptions and projections regarding future revenues and costs associated with equity investments in companies we do not control;
- other factors, including those discussed in “Item 1A. Risk Factors”; and
- investors' and other stakeholders' increasing attention to environmental, social and governance ("ESG") matters.

If one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may differ materially from those described in any forward-looking statement. When considering forward-looking statements, you should also keep in mind the risk factors described in “Item 1A. Risk Factors” below. The risk factors could also cause our actual results to differ materially from those contained in any forward-looking statement. We disclaim any obligation to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments, unless required by law.

You should consider the information above when reading any forward-looking statements contained in this Annual Report on Form 10-K; other reports filed by us with the U.S. Securities and Exchange Commission (“SEC”); our press releases; our website ***http://www.halladorenergy.com*** and written or oral statements made by us or any of our officers or other authorized persons acting on our behalf.

ITEM 1. BUSINESS.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of our business.

Regulation and Laws

The coal mining industry is subject to extensive regulation by federal, state and local authorities on matters such as:

- employee health and safety;
- mine permits and other licensing requirements;
- air quality standards;
- water quality standards;
- storage of petroleum products and substances that are regarded as hazardous under applicable laws or that, if spilled, could reach waterways or wetlands;
- plant and wildlife protection that could limit or prohibit mining or exploration;
- restricting the types, quantities and concentration of materials that can be released into the environment in the performance of mining or exploration and production activities;
- discharge of materials;
- storage and handling of explosives;
- wetlands protection;
- surface subsidence from underground mining; and
- the effects, if any, that mining has on groundwater quality and availability.

Failure to comply with environmental laws and regulations may result in the assessment of administrative, civil and criminal sanctions, including monetary penalties, the imposition of strict, joint and several liability, investigatory and remedial obligations, and the issuance of injunctions limiting or prohibiting some or all of the operations on our properties. The regulatory burden on fossil fuel industries increases the cost of doing business and consequently affects profitability. The trend in environmental regulation has been to place more restrictions and limitations on activities that may affect the environment, and thus, any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly obligations could increase our or our mineral interest operators' costs and adversely affect our performance. In addition, the utility industry is subject to extensive regulation regarding the environmental impact of its power generation activities, which has adversely affected demand for coal. It is possible that new legislation or regulations may be adopted, or that existing laws or regulations may be interpreted differently or more stringently enforced, any of which could have a significant impact on our mining operations or our customers' ability to use coal. For more information, please see risk factors described in "Item 1A. Risk Factors" below.

We are committed to conducting mining operations in compliance with applicable federal, state and local laws and regulations. However, because of the extensive and detailed nature of these regulatory requirements, particularly the regulatory system of the Mine Safety and Health Administration ("MSHA") where citations can be issued without regard to fault, and many of the standards include subjective elements, it is not reasonable to expect any coal mining company to be free of citations. When we receive a citation, we attempt to remediate any identified condition immediately. While we have not quantified all of the costs of compliance with applicable federal and state laws and associated regulations, those costs have been and are expected to continue to be significant. Compliance with these laws and regulations has substantially increased the cost of coal mining for domestic coal producers.

Expenditures for environmental matters have not been material in recent years. We have accrued for the present value of the estimated cost of asset retirement obligations and mine closings, including the cost of treating mine water discharge, when necessary. The accruals for asset retirement obligations and mine closing costs are based upon permit requirements and the estimated costs and timing of asset retirement obligations and mine closing procedures. Although management believes it has made adequate provisions for all expected reclamation and other costs associated with mine closures, future operating results would be adversely affected if these accruals were insufficient.

Mining Permits and Approvals

Numerous governmental permits or approvals are required for mining operations. Applications for permits require extensive engineering and data analysis and presentation and must address a variety of environmental, health and safety matters associated with a proposed mining operation. These matters include the manner and sequencing of coal extraction, the storage, use and disposal of waste and other substances and impacts on the environment, the construction of water containment areas, and reclamation of the area after coal extraction. Meeting all requirements imposed by any of these authorities may be costly and may delay or prevent commencement or continuation of mining operations.

The permitting process for certain mining operations can extend over several years and can be subject to administrative and judicial challenge, including by the public. Some required mining permits are becoming increasingly difficult to obtain in a timely manner, or at all. We cannot assure you that we will not experience difficulty or delays in obtaining mining permits in the future or that a current permit will not be revoked.

We are required to post bonds to secure performance under our permits. Under some circumstances, substantial fines and penalties, including revocation of mining permits, may be imposed under the laws and regulations described above. Monetary sanctions and, in severe circumstances, criminal sanctions may be imposed for failure to comply with these laws and regulations. Regulations also provide that a mining permit can be refused or revoked if the permit applicant or permittee owns or controls, directly or indirectly through other entities, mining operations that have outstanding environmental violations. Although like other coal companies, we have been cited for violations in the ordinary course of our business, we have never had a permit suspended or revoked because of any violation, and the penalties assessed for these violations have not been material.

Mine Health and Safety Laws

The Federal Mine Safety and Health Act of 1977 (“FMSHA”) and regulations adopted pursuant thereto, imposes extensive and detailed safety and health standards on numerous aspects of mining operations, including training of mine personnel, mining procedures, blasting, the equipment used in mining operations, and numerous other matters. MSHA monitors and rigorously enforces compliance with these federal laws and regulations. In addition, the states where we operate have state programs for mine safety and health regulation and enforcement. Federal and state safety and health regulations affecting the coal mining industry are perhaps the most comprehensive and rigorous system in the United States for the protection of employee safety and have a significant effect on our operating costs. Although many of the requirements primarily impact underground mining, our competitors in all of the areas in which we operate are subject to the same laws and regulations.

FMSHA has been construed as authorizing MSHA to issue citations and orders pursuant to the legal doctrine of strict liability or liability without fault, and FMSHA requires the imposition of a civil penalty for each cited violation. Negligence and gravity assessments, along with other factors can result in the issuance of various types of orders, including orders requiring withdrawal from the mine or the affected area, and some orders can also result in the imposition of civil penalties. FMSHA also contains criminal liability provisions. For example, criminal liability may be imposed upon corporate operators who knowingly and willfully authorize, order or carry out violations of the FMSHA or its mandatory health and safety standards.

The Federal Mine Improvement and New Emergency Response Act of 2006 (“MINER Act”) significantly amended the FMSHA, imposing more extensive and stringent compliance standards, increasing criminal penalties and establishing a maximum civil penalty for non-compliance, and expanding the scope of federal oversight, inspection, and enforcement activities. Following the passage of the MINER Act, MSHA has issued new or more stringent rules and policies on a variety of topics, including:

- sealing off abandoned areas of underground coal mines;
- mine safety equipment, training, and emergency reporting requirements;
- substantially increased civil penalties for regulatory violations;
- training and availability of mine rescue teams;
- underground “refuge alternatives” capable of sustaining trapped miners in the event of an emergency;
- flame-resistant conveyor belts, fire prevention and detection, and use of air from the belt entry; and
- post-accident two-way communications and electronic tracking systems.

MSHA continues to interpret and implement various provisions of the MINER Act, along with introducing new proposed regulations and standards.

In 2014, MSHA began implementation of a finalized new regulation titled "Lowering Miner's Exposure to Respirable Coal Mine Dust, Including Continuous Personal Dust Monitors." The final rule implemented a reduction in the allowable respirable coal mine dust exposure limits, requires the use of sampling data taken from a single sample rather than an average of samples, and increases oversight by MSHA regarding coal mine dust and ventilation issues at each mine, including the approval process for ventilation plans at each mine, all of which increase mining costs. The second phase of the rule began in February 2016 and requires additional sampling for designated and other occupations using the new continuous personal dust monitor technology, which provides real-time dust exposure information to the miner. Phase three of the rule began in August 2016 and resulted in lowering the current respirable dust level of 2.0 milligrams per cubic meter to 1.5 milligrams per cubic meter of air. Compliance with these rules can result in increased costs on our operations, including, but not limited to, the purchasing of new equipment and the hiring of additional personnel to assist with monitoring, reporting, and recordkeeping obligations. MSHA has published a request for information regarding engineering controls and best practices to lower miners' exposure to respirable coal mine dust, which is currently set to close on July 9, 2022. It is uncertain whether MSHA will present additional proposed rules, or revisions to the final rule, following the closing of the comment period for the current request for information.

MSHA has also published, and may continue to publish, various proposed rules or requests for information, which may result in additional rulemakings. For example, in June 2016, MSHA published a request for information on Exposure of Underground Miners to Diesel Exhaust. Following a comment period that closed in November 2016, MSHA received requests for MSHA and the National Institute for Occupational Safety and Health to hold a Diesel Exhaust Partnership to address the issues covered by MSHA's request for information. The comment period for the request for information closed in September 2020.

Separately, in November 2020, MSHA published a proposed rule to revise Testing, Evaluation, and Approval of Electric Motor-Driven Mine Equipment and Accessories within underground mining environments. The comment period for the proposed rule closed in December 2020. It is uncertain whether MSHA will present a final rule addressing this issue.

Then, in September 2021, MSHA published a proposed rule requiring that mine operators employing six or more miners develop and implement a written safety program for mobile and powered haulage equipment at surface mines and surface areas of underground mines (Safety Program for Surface Mobile Equipment). The comment period for the proposed rule closed in November 2021. However, MHSA reopened the rulemaking record for additional public comments. A virtual hearing was held in January 2022, and the comment period closed in February 2022.

It is uncertain whether MSHA will present a final rule addressing any of the above issues or any of the other various proposed rules or requests for information or whether any such rule would have material impacts on our operations or our costs of operation.

Subsequent to the passage of the MINER Act, Illinois, Kentucky, Pennsylvania, and West Virginia have enacted legislation addressing issues such as mine safety and accident reporting, increased civil and criminal penalties, and increased inspections and oversight. Additionally, state administrative agencies can promulgate administrative rules and regulations affecting our operations. Other states may pass similar legislation or administrative regulations in the future.

Some of the costs of complying with existing regulations and implementing new safety and health regulations may be passed on to our customers. Although we have not quantified the full impact, implementing and complying with these new federal and state safety laws and regulations have had, and are expected to continue to have, an adverse impact on our results of operations and financial position.

Black Lung Benefits Act

The Black Lung Benefits Act of 1977 and the Black Lung Benefits Reform Act of 1977, as amended in 1981 ("BLBA"), requires businesses that conduct current mining operations to make payments of black lung benefits to current and former coal miners with black lung disease, to some survivors of a miner who dies from this disease, and to a trust fund for the payment of benefits and medical expenses where no responsible coal mine operator has been identified for claims. Effective January 1, 2019, the trust fund was funded by an excise tax on production of up to $0.50 per ton for underground-mined coal and up to $0.25 per ton for surface-mined coal, but not to exceed 2% of the applicable sales price. Effective January 1, 2020, the trust fund was funded by an excise tax on coal sold of up to $1.10 per ton for deep-mined coal and up to $0.55 per ton for surface-mined coal, neither amount to exceed 4.4% of the gross sales price. Effective January 1, 2022, the trust fund is funded by an excise tax on production of up to $0.50 per ton for underground-mined coal and up to $0.25 per ton for surface-mined coal, but not to exceed 2% of the applicable sales price. It is uncertain whether the excise tax rates will be adjusted in the future or whether any such modifications would be retroactive.

Workers' Compensation and Black Lung

We provide income replacement and medical treatment for work-related traumatic injury claims as required by applicable state laws. Workers' compensation laws also compensate survivors of workers who suffer employment-related deaths. We generally self-insure this potential expense using our actuary estimates of the cost of present and future claims. In addition, coal mining companies are subject to federal legislation and various state statutes for the payment of medical and disability benefits to eligible recipients related to coal workers' pneumoconiosis or black lung. We also provide for these claims through self-insurance programs. Our actuarial calculations are based on numerous assumptions, including disability incidence, medical costs, mortality, death benefits, dependents and discount rates.

The revised BLBA regulations took effect in January 2001, relaxing the stringent award criteria established under previous regulations and thus potentially allowing new federal claims to be awarded and allowing previously denied claimants to re-file under the revised criteria. These regulations may also increase black lung-related medical costs by broadening the scope of conditions for which medical costs are reimbursable and increase legal costs by shifting more of the burden of proof to the employer.

The Patient Protection and Affordable Care Act enacted in 2010 includes significant changes to the federal black lung program retroactive to 2005, including an automatic survivor benefit paid upon the death of a miner with an awarded black lung claim and establishes a rebuttable presumption with regard to pneumoconiosis among miners with 15 or more years of coal mine employment that are totally disabled by a respiratory condition. These changes could have a material impact on our costs expended in association with the federal black lung program.

Surface Mining Control and Reclamation Act

The Federal Surface Mining Control and Reclamation Act of 1977 ("SMCRA") and similar state statutes establish operational, reclamation and closure standards for all aspects of surface mining as well as many aspects of underground mining. Currently, ~98% of our production capacity involves underground room and pillar mining (no surface subsidence), and ~2% involves surface mining. We do not engage in either mountain top removal or long-wall mining. SMCRA nevertheless requires that comprehensive environmental protection and reclamation standards be met during the course of and upon completion of our mining activities.

SMCRA and similar state statutes require, among other things, that surface disturbance be restored in accordance with specified standards and approved reclamation plans. SMCRA requires us to restore affected surface areas to approximate the original contours as contemporaneously as practicable with the completion of surface mining operations. Federal law and some states impose on mine operators the responsibility for replacing certain water supplies damaged by mining operations and repairing or compensating for damage to certain structures occurring on the surface as a result of mine subsidence, a consequence of longwall mining and possibly other mining operations. We believe we are in compliance in all material respects with applicable regulations relating to reclamation.

In addition, the Abandoned Mine Lands Program, which is part of SMCRA, imposes a reclamation fee on all current mining operations, the proceeds of which are used to restore mines closed before 1977. The fee expired on September 30, 2021, and was reauthorized through September 30, 2034, under the Infrastructure Investment and Jobs Act which was signed on November 15, 2021. The fee, as reauthorized, for surface-mined and underground-mined coal is $0.224 per ton and $0.096 per ton, respectively, through September 30, 2034. We have accrued the estimated costs of reclamation and mine closing, including the cost of treating mine water discharge when necessary. In addition, states from time to time have increased and may continue to increase their fees and taxes to fund reclamation or orphaned mine sites and acid mine drainage control on a statewide basis.

Under SMCRA, responsibility for unabated violations, unpaid civil penalties and unpaid reclamation fees of independent contract mine operators and other third parties can be imputed to other companies that are deemed, according to the regulations, to have "owned" or "controlled" the third-party violator. Sanctions against the "owner" or "controller" are quite severe and can include being blocked from receiving new permits and having any permits revoked that were issued after the time of the violations or after the time civil penalties or reclamation fees became due. We are not aware of any currently pending or asserted claims against us relating to the "ownership" or "control" theories discussed above. However, we cannot assure you that such claims will not be asserted in the future.

In April 2015, the United States Environmental Protection Agency ("EPA") finalized rules on coal combustion residuals ("CCRs"); however, the final rule does not address the placement of CCRs in minefills or non-minefill uses of CCRs at coal mine sites. The Federal Office of Surface Mining ("OSM ") has announced their intention to release a proposed rule to regulate placement and use of CCRs at coal mine sites, but to date, no further action has been taken. These actions by OSM potentially could result in additional delays and costs associated with obtaining permits, prohibitions or restrictions relating to mining activities, and additional enforcement actions.

Bonding Requirements

Federal and state laws require bonds to secure our obligations to reclaim lands used for mining, and to satisfy other miscellaneous obligations. These bonds are typically renewable on a yearly basis. It has become increasingly difficult for our competitors and us to secure new surety bonds without posting collateral, and in some cases, it is unclear what level of collateral will be required. In addition, surety bond costs have increased while the market terms of surety bonds have generally become less favorable to us. It is possible that surety bond issuers may refuse to renew bonds or may demand additional collateral upon those renewals. Our failure to maintain or inability to acquire surety bonds that are required by federal and state laws would have a material adverse effect on our ability to produce coal, which could affect our profitability and cash flow.

Air Emissions

The Clean Air Act ("CAA") and similar state and local laws and regulations regulate emissions into the air and affect coal mining operations. The CAA directly impacts our coal mining and processing operations by imposing permitting requirements and, in some cases, requirements to install certain emissions control equipment, achieve certain emissions standards, or implement certain work practices on sources that emit various air pollutants. The CAA also indirectly affects coal mining operations by extensively regulating the air emissions of coal-fired electric power generating plants and other coal-burning facilities. There have been a series of federal rulemakings focused on emissions from coal-fired electric generating facilities. Installation of additional emissions control technology and any additional measures required under applicable federal and state laws and regulations related to air emissions will make it more costly to operate coal-fired power plants and possibly other facilities that consume coal and, depending on the requirements of individual state implementation plans ("SIPs"), could make fossil fuels a less attractive fuel alternative in the planning and building of power plants in the future. A significant reduction in fossil fuels' share of power generating capacity could have a material adverse effect on our business, financial condition and results of operations.

In addition to the greenhouse gas ("GHG") issues discussed below, the air emissions programs that may affect our operations, directly or indirectly, include, but are not limited to, the following:

- The EPA's Acid Rain Program, provided in Title IV of the CAA, regulates emissions of sulfur dioxide from electric generating facilities. Sulfur dioxide is a by-product of coal combustion. Affected facilities purchase or are otherwise allocated sulfur dioxide emissions allowances, which must be surrendered annually in an amount equal to a facility's sulfur dioxide emissions in that year. Affected facilities may sell or trade excess allowances to other facilities that require additional allowances to offset their sulfur dioxide emissions. In addition to purchasing or trading for additional sulfur dioxide allowances, affected power facilities can satisfy the requirements of the EPA's Acid Rain Program by switching to lower-sulfur fuels, installing pollution control devices such as flue gas desulfurization systems, or "scrubbers," or by reducing electricity generating levels. These requirements would not be supplanted by a replacement rule for the Clean Air Interstate Rule ("CAIR"), discussed below.

- The CAIR calls for power plants in 28 states and Washington, D.C. to reduce emission levels of sulfur dioxide and nitrogen oxide pursuant to a cap-and-trade program similar to the system in effect for acid rain. In June 2011, the EPA finalized the Cross-State Air Pollution Rule ("CSAPR"), a replacement rule for CAIR, which would have required 28 states in the Midwest and eastern seaboard to reduce power plant emissions that cross state lines and contribute to ozone and/or fine particle pollution in other states. CSAPR has become increasingly irrelevant with continuing coal plant retirements making the nitrogen oxide ozone budget less stringent and lowering emission allowance prices to levels closer to average operating cost for many of our customers. The full impact of CSAPR is unknown at the present time due to the implementation of Mercury and Air Toxic Standards ("MATS"), discussed below, and the impact of the continuing coal plant retirements.

- In February 2012, the EPA adopted the MATS, which regulates the emission of mercury and other metals, fine particulates, and acid gases such as hydrogen chloride from coal and oil-fired power plants. In March 2013, the EPA finalized a reconsideration of the MATS rule as it pertains to new power plants, principally adjusting emissions limits to levels attainable by existing control technologies. In subsequent litigation, the U.S. Supreme Court struck down the MATS rule based on the EPA's failure to take costs into consideration. The D.C. Circuit Court allowed the current rule to stay in place until the EPA issued a new finding. In April 2016, the EPA issued a final supplemental finding upholding the rule and concluding that a cost analysis supports the MATS rule. In April 2017, the D.C Circuit Court of Appeals granted the EPA's request to cancel oral arguments and ordered the case held in abeyance for an EPA review of the supplemental finding. In December 2018, the EPA issued a proposed Supplemental Cost Finding, as well as the CAA required "risk and technology review." In May 2020, EPA issued a final rule that reverses the Agency's prior determination from 2000 and 2016 that it was "appropriate and necessary" to regulate hazardous air pollutants ("HAP") from coal-fueled Electric Generating Units ("EGUs") under the MATS rule. Notwithstanding the invalidation of this threshold regulatory determination, the final rule leaves in place all of the HAP emission control requirements imposed by the MATS rule based on the conclusion that the EGU source category cannot meet the statute's stringent requirements for delisting a source category from HAP regulation. Many electric generators have already announced retirements due to the MATS rule. Although various issues surrounding the MATS rule remain subject to litigation in the D.C. Circuit, the MATS rule has forced generators to make capital investments to retrofit power plants and could lead to additional premature retirements of older coal-fired generating units.

  The announced and possible additional retirements are likely to reduce the demand for coal. Apart from MATS, several states have enacted or proposed regulations requiring reductions in mercury emissions from coal-fired power plants, and federal legislation to reduce mercury emissions from power plants has been proposed. Regulation of mercury emissions by the EPA, states, or Congress may decrease the future demand for coal. We continue to evaluate the possible scenarios associated with CSAPR and MATS and the effects they may have on our business and our results of operations, financial condition or cash flows.

- The EPA is required by the CAA to periodically re-evaluate the available health effects information to determine whether the National Ambient Air Quality Standards ("NAAQS") should be revised. Pursuant to this process, the EPA has adopted more stringent NAAQS for fine particulate matter ("PM"), ozone, nitrogen oxide, and sulfur dioxide. As a result, some states will be required to amend their existing SIPs to attain and maintain compliance with the new air quality standards and other states will be required to develop new SIPs for areas that were previously in "attainment" but do not attain the new standards. In addition, under the revised ozone NAAQS, significant additional emissions control expenditures may be required at coal-fired power plants. In March 2019, the EPA published a final rule that retained the current primary NAAQS for sulfur oxide. In December 2020, EPA published a final rule to retain the current NAAQS for both PM and ozone; however, various entities have filed litigation against one or both of these rulemakings, and the NAAQS may be subject to revision under the Biden Administration. New standards may impose additional emissions control requirements on new and expanded coal-fired power plants and industrial boilers. Because coal mining operations and coal-fired electric generating facilities emit particulate matter and sulfur dioxide, our mining operations and our customers could be affected when the new standards are implemented by the applicable states, and developments might indirectly reduce the demand for coal.

- The EPA's regional haze program is designed to protect and improve visibility at and around national parks, national wilderness areas, and international parks. Under the program, states are required to develop SIPs to improve visibility. Typically, these plans call for reductions in sulfur dioxide and nitrogen oxide emissions from coal-fueled electric plants. In prior cases, the EPA has decided to negate the SIPs and impose stringent requirements through FIPs. The regional haze program, including particularly the EPA's FIPs, and any future regulations may restrict the construction of new coal-fired power plants whose operation may impair visibility at and around federally protected areas and may require some existing coal-fired power plants to install additional control measures designed to limit haze-causing emissions. These requirements could limit the demand for coal in some locations. In September 2018, the EPA issued a memorandum that detailed plans to assist states as they develop their SIPs.

- The EPA's new source review ("NSR") program under the CAA in certain circumstances requires existing coal-fired power plants, when modifications to those plants significantly increase emissions, to install more stringent air emissions control equipment. The Department of Justice, on behalf of the EPA, has filed lawsuits against a number of coal-fired electric generating facilities alleging violations of the NSR program. The EPA has alleged that certain modifications have been made to these facilities without first obtaining certain permits issued.

GHG Emissions

Combustion of fossil fuels, such as the coal we produce, results in the emission of GHGs, such as carbon dioxide and methane. Combustion of fuel for mining equipment used in coal production also emits GHGs. Future regulation of GHG emissions in the U.S. could occur pursuant to future U.S. treaty commitments, new domestic legislation or regulation by the EPA. Although no comprehensive climate change regulation has been adopted at the federal level in the United States, President Biden has announced that climate change will be a focus of his administration. For example, in January 2021, President Biden issued an executive order that commits to substantial action on climate change, calling for, among other things, the increased use of zero-emissions vehicles by the federal government, the elimination of subsidies provided to the fossil-fuel industry, a doubling of electricity generated by offshore wind by 2030, and increased emphasis on climate-related risks across governmental agencies and economic sectors. Internationally, the Paris Agreement requires member states to submit non-binding, individually-determined emissions reduction targets. These commitments could further reduce demand and prices for fossil fuels. Although the United States had withdrawn from the Paris Agreement, President Biden recommitted the United States in February 2021 and, in April 2021, announced a new, more rigorous nationally determined emissions reduction level of 50-52% reduction from 2005 levels in economy-wide net GHG emissions by 2030. The international community gathered again in Glasgow in November 2021 at the 26th Conference to the Parties ("COP26") during which multiple announcements were made, including a call for parties to eliminate fossil fuel subsidies, among other measures. Relatedly, the United States and European Union jointly announced at COP26 the launch of the Global Methane Pledge, an initiative committing to a collective goal of reducing global methane emissions by at least 30% from 2020 levels by 2030, including "all feasible reductions" in the energy sector. Also at COP26, more than forty countries pledged to phase out coal, although the United States did not sign the pledge. The impact of these actions remains unclear at this time. Moreover, many states, regions, and governmental bodies have adopted GHG initiatives and have or are considering the imposition of fees or taxes based on the emission of GHGs by certain facilities, including coal-fired electric generating facilities. Others have announced their intent to increase the use of renewable energy sources, displacing coal and other fossil fuels. Depending on the particular regulatory program that may be enacted, at either the federal or state level, the demand for coal could be negatively impacted, which would have an adverse effect on our operations.

Even in the absence of new federal legislation, the EPA has begun to regulate GHG emissions under the CAA based on the U.S. Supreme Court's 2007 decision that the EPA has authority to regulate GHG emissions. Although the U.S. Supreme Court's holding did not expressly involve the EPA's authority to regulate GHG emissions from stationary sources, such as coal-fueled power plants, the EPA has determined on its own that it has the authority to regulate GHG emissions from power plants and issued a final rule which found that GHG emissions, including carbon dioxide and methane, endanger both the public health and welfare.

Several rulemakings have been issued under the EPA's New Source Performance Standards ("NSPS") that constrain the GHG emissions of fossil-fuel-fired power plants. In January 2021, the EPA published a final significant contribution finding for purposes of regulating source category of GHG emissions, confirming that such power plants are a source category for such regulations. However, this finding also excludes several sectors and may, therefore, be subject to revision, and future implementation of the NSPS is uncertain at this time.

In August 2015, the EPA issued its final Clean Power Plan ("CPP") rules that establish carbon pollution standards for power plants, called CO2 emission performance rates. Judicial challenges led the U.S. Supreme Court to grant a stay in February 2016 of the implementation of the CPP before the United States Court of Appeals for the District of Columbia ("Circuit Court") even issued a decision. Then, in October 2017 the EPA proposed to repeal the CPP. The EPA subsequently proposed the Affordable Clean Energy ("ACE") rule to replace the CPP with a rule that utilizes heat rate improvement measures as the "best system of emission reduction." The ACE rule adopts new implementing regulations under the CAA to clarify the roles of the EPA and the states, including an extension of the deadline for state plans and EPA approvals; and the rule revises the NSR permitting program to provide EGUs the opportunity to make efficiency improvements without triggering NSR permit requirements. In June 2019, the EPA published the final repeal of the CPP and promulgation of the ACE rule. The EPA's attempts to replace the CPP with the ACE rule are currently subject to litigation, and on January 19, 2021 , the Circuit Court struck down the ACE rule. The EPA has since announced an intent to consider new regulations governing carbon emissions from existing power plants. The EPA's draft strategic plan issued in November 2021 emphasizes climate change and environmental justice as its top two priorities.

Notwithstanding the ACE rule, these requirements have led to premature retirements and could lead to additional premature retirements of coal-fired generating units and reduce the demand for coal. Congress has not currently adopted legislation to restrict carbon dioxide emissions from existing power plants, and it is unclear whether the EPA has the legal authority to regulate carbon dioxide emissions from existing and modified power plants as proposed in the NSPS and CPP. Substantial limitations on GHG emissions could adversely affect demand for the coal we produce.

There have been numerous protests and challenges to the permitting of new fossil fuel infrastructure, including coal-fired power plants and pipelines, by environmental organizations and state regulators for concerns related to GHG emissions. For instance, various state regulatory authorities have rejected the construction of new coal-fueled power plants based on the uncertainty surrounding the potential costs associated with GHG emissions from these plants under future laws limiting the emissions of carbon dioxide. In addition, several permits issued to new coal-fueled power plants without limits on GHG emissions have been appealed to the EPA's Environmental Appeals Board. In addition, over thirty states have currently adopted "renewable energy standards" or "renewable portfolio standards," which encourage or require electric utilities to obtain a certain percentage of their electric generation portfolio from renewable resources by a certain date. Several states have announced their intent to have renewable energy comprise 100% of their electric generation portfolio. Other states may adopt similar requirements, and federal legislation is a possibility in this area. In December 2021, President Biden issued an executive order setting a goal for a carbon pollution-free electricity sector across the country by 2035. To the extent these requirements affect our current and prospective customers, they may reduce the demand for fossil fuel energy, and may affect long-term demand for our coal. Finally, while the U.S. Supreme Court has held that federal common law provides no basis for public nuisance claims against utilities due to their carbon dioxide emissions, the Court did not decide whether similar claims can be brought under state common law. As a result, despite this favorable ruling, tort-type liabilities remain a concern.

In addition, environmental advocacy groups have filed a variety of judicial challenges claiming that the environmental analyses conducted by federal agencies before granting permits and other approvals necessary for certain coal activities do not satisfy the requirements of the National Environmental Policy Act ("NEPA"). These groups assert that the environmental analyses in question do not adequately consider the climate change impacts of these particular projects. In July 2020, the Council on Environmental Quality ("CEQ ") finalized revisions to NEPA that clarify the extent to which direct, indirect, and cumulative environmental impacts from a proposed project, including GHG emissions, should be examined under NEPA. In October 2021, the CEQ published a proposed rule to restore, in general, NEPA regulations that were in effect before being modified by the 2020 revisions. A final rule is expected in 2022.
Many states and regions have adopted GHG initiatives, and certain governmental bodies have or are considering the imposition of fees or taxes based on the emission of GHG by certain facilities, including coal-fired electric generating facilities. For example, in 2005, ten Northeastern states entered into the Regional Greenhouse Gas Initiative agreement ("RGGI"), calling for the implementation of a cap and trade program aimed at reducing carbon dioxide emissions from power plants in the participating states. The members of RGGI have established in statutes and/or regulations a carbon dioxide trading program. Auctions for carbon dioxide allowances under the program began in September 2008. Since its inception, several additional states and Canadian provinces have joined RGGI as participants or observers, while Virginia has withdrawn from RGGI via executive order by its governor.

Following the RGGI model, five Western states launched the Western Regional Climate Action Initiative to identify, evaluate, and implement collective and cooperative methods of reducing GHG in the region to 15% below 2005 levels by 2020. These states were joined by two additional states and four Canadian provinces and became collectively known as the Western Climate Initiative Partners. However, only California and certain Canadian provinces are currently active participants in the Western Climate Initiative. Nevertheless, it is likely that these regional efforts will continue based on current trends and concerns related to the reduction of GHG emissions.

It is possible that future international, federal and state initiatives to control GHG emissions could result in increased costs associated with fossil fuel production and consumption, such as costs to install additional controls to reduce carbon dioxide emissions or costs to purchase emissions reduction credits to comply with future emissions trading programs. Such increased costs for fossil fuel consumption could result in some customers switching to alternative sources of fuel, or otherwise adversely affect our operations and demand for our products, which could have a material adverse effect on our business, financial condition, and results of operations. Finally, activists may try to hamper fossil fuel companies by other means, including pressuring financing and other institutions into restricting access to capital, bonding and insurance, as well as pursuing tort litigation for various alleged climate-related impacts.

Water Discharge

The Federal Clean Water Act ("CWA") and similar state and local laws and regulations regulate discharges into certain waters, primarily through permitting. Section 404 of the CWA imposes permitting and mitigation requirements associated with the dredging and filling of certain wetlands and streams. The CWA and equivalent state legislation, where such equivalent state legislation exists, affect coal mining operations that impact such wetlands and streams. Although permitting requirements have been tightened in recent years, we believe we have obtained all necessary permits required under CWA Section 404 as it has traditionally been interpreted by the responsible agencies. However, mitigation requirements under existing and possible future "fill" permits may vary considerably. For that reason, the setting of post-mine asset retirement obligation accruals for such mitigation projects is difficult to ascertain with certainty and may increase in the future. Although more stringent permitting requirements may be imposed in the future, we are not able to accurately predict the impact, if any, of such permitting requirements.

In order for us to conduct certain activities, we may need to obtain a permit for the discharge of fill material from the United States Army Corps of Engineers ("Corps of Engineers") and/or a discharge permit from the state regulatory authority under the state counterpart to the CWA. Our coal mining operations typically require Section 404 permits to authorize activities such as the creation of slurry ponds and stream impoundments. The CWA authorizes the EPA to review Section 404 permits issued by the Corps of Engineers.

The EPA also has statutory "veto" power over a Section 404 permit if the EPA determines, after notice and an opportunity for a public hearing, that the permit will have an "unacceptable adverse effect." In January 2011, the EPA exercised its veto power to withdraw or restrict the use of a previously issued permit for Spruce No. 1 Surface Mine in West Virginia, which is one of the largest surface mining operations ever authorized in Appalachia. This action was the first time that such power was exercised with regard to a previously permitted coal mining project which veto was subsequently upheld by the D.C. Circuit Court of Appeals in 2013. Any future use of the EPA's Section 404 "veto" power could create uncertainty with regard to our continued use of current permits, as well as impose additional time and cost burdens on future operations, potentially adversely affecting our coal revenues. In addition, the EPA initiated a preemptive veto prior to the filing of any actual permit application for a copper and gold mine based on a fictitious mine scenario. The implications of this decision could allow the EPA to bypass the state permitting process and engage in watershed and land use planning.

Total Maximum Daily Load ("TMDL") regulations under the CWA establish a process to calculate the maximum amount of a pollutant that an impaired waterbody can receive and still meet state water quality standards and to allocate pollutant loads among the point and non-point pollutant sources discharging into that water body. Likewise, when water quality in a receiving stream is better than required, states are required to conduct an antidegradation review before approving discharge permits. The adoption of new TMDL-related allocations or any changes to antidegradation policies for streams near our coal mines could require more costly water treatment and could adversely affect our coal production.

Considerable legal uncertainty exists surrounding the standard for what constitutes jurisdictional waters and wetlands subject to the protections and requirements of the CWA. Rulemakings to establish the extent of such jurisdiction were finalized in 2015 and 2020, respectively, and both rulemakings have been subject to substantial litigation. On August 30, 2021, the US District Court for Arizona granted a request for voluntary remand of the EPA's rule. The Biden Administration has announced plans to establish its own definition of "waters of the United States" ("WOTUS"). Most recently, the EPA and the Corps of Engineers published a proposed rulemaking to revoke the 2020 rule in favor of a pre-2015 definition until a new definition is proposed, which the Biden Administration has announced is underway. Additionally, in January 2022, the Supreme Court agreed to hear a case on the scope and authority of the CWA and the definition of WOTUS. To the extent any decision expands the scope of the EPA and the Corps of Engineers' jurisdiction under the CWA, we could face increased costs and delays due to additional permitting and regulatory requirements and possible challenges to permitting decision

Hazardous Substances and Wastes

The Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), otherwise known as the "Superfund" law, and analogous state laws, impose liability, without regard to fault or the legality of the original conduct on certain classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the site where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Persons who are or were responsible for the release of hazardous substances may be subject to joint and several liability under CERCLA for the costs of cleaning up releases of hazardous substances and natural resource damages. Some products used in coal mining operations generate waste containing hazardous substances. We are currently unaware of any material liability associated with the release or disposal of hazardous substances from our past or present mine sites.

The Federal Resource Conservation and Recovery Act ("RCRA") and analogous state laws impose requirements for the generation, transportation, treatment, storage, disposal, and cleanup of hazardous and non-hazardous wastes. Many mining wastes are excluded from the regulatory definition of hazardous wastes, and coal mining operations covered by SMCRA permits are by statute exempted from RCRA permitting. RCRA also allows the EPA to require corrective action at sites where there is a release of hazardous substances. In addition, each state has its own laws regarding the proper management and disposal of waste material. While these laws impose ongoing compliance obligations, such costs are not believed to have a material impact on our operations.

RCRA impacts the coal industry in particular because it regulates the disposal of certain coal combustion by-products ("CCB"). On April 17, 2015, the EPA finalized regulations under RCRA for the disposal of CCB. Under the finalized regulations, CCB is regulated as "non-hazardous" waste and avoids the stricter, more costly, regulations under RCRA's hazardous waste rules. While classification of CCB as a hazardous waste would have led to more stringent restrictions and higher costs, this regulation may still increase our customers' operating costs and potentially reduce their ability to purchase coal. The CCB rule was subject to legal challenge and ultimately remanded to the EPA. On August 28, 2020, the EPA published a final revised rule mandating closure of unlined impoundments, with deadlines to initiate closure between 2021 and 2028, depending on site specific circumstances. Certain provisions of the revised CCB rule were vacated by the D.C. Circuit in 2018. The EPA is expected to finalize additional rules addressing those specific provisions in 2022 and 2023. Meanwhile, on January 25, 2022, the EPA published determinations for 9 of 57 CCB facilities who sought approval to continue disposal of CCB and non-CCB waste streams until 2023, as opposed to the initial 2021 deadline for unlined impoundments prescribed by the current rule. While the EPA issued one conditional approval, the EPA is requiring the remaining facilities to cease receipt of waste within 135 days of completion of public comment, or around July 2022. The current determinations, future determinations of the same nature, or similar actions in expected future rulemakings could lead to accelerated, abrupt, or unplanned suspension of coal-fired boilers. The combined effect of the CCB rules and ELG regulations (discussed below) has compelled power generating companies to close existing ash ponds and may force the closure of certain existing coal burning power plants that cannot comply with the new standards. Such retirements may adversely affect the demand for our coal.

On November 3, 2015, the EPA published the final rule Effluent Limitations Guidelines and Standards ("ELG"), revising the regulations for the Steam Electric Power Generating category which became effective on January 4, 2016. The rule sets the first federal limits on the levels of toxic metals in wastewater that can be discharged from power plants, based on technology improvements in the steam electric power industry over the last three decades. The combined effect of the CCB and ELG regulations has forced power generating companies to close existing ash ponds and will likely force the closure of certain older existing coal-burning power plants that cannot comply with the new standards. In November 2019, the EPA proposed revisions to the 2015 ELG rule and announced proposed changes to regulations for the disposal of coal ash in order to reduce compliance costs. In October 2020, the EPA published a final rule. In August 2021, the EPA initiated supplemental rulemaking indicating that it intended to strengthen certain discharge limits. The EPA expects to issue a proposed rule for public comment in fall 2022. It is unclear what impact these regulations will have on the market for our products.

Endangered Species Act

The federal Endangered Species Act ("ESA") and counterpart state legislation protect species threatened with possible extinction. The U.S. Fish and Wildlife Service (the "USFWS") works closely with the OSM and state regulatory agencies to ensure that species subject to the ESA are protected from potential impacts from mining-related activities. In October 2021, the Biden Administration proposed the rollback of new rules promulgated under the Trump Administration; namely, the USFWS plans to rescind the 2018 rule that revised the process for designating critical habitat for threatened and endangered species under the ESA and second, alongside the National Marine Fisheries Service, the USFWS proposes to rescind the 2020 regulatory definition of "habitat." Final action on these proposed rules will occur in 2022.

If the USFWS were to designate species indigenous to the areas in which we operate as threatened or endangered, or to re-designate a species from threatened to endangered, we could be subject to additional regulatory and permitting requirements, which in turn could increase operating costs or adversely affect our revenues.

Other Environmental, Health and Safety Regulation

In addition to the laws and regulations described above, we are subject to regulations regarding underground and above ground storage tanks in which we may store petroleum or other substances. Some monitoring equipment that we use is subject to licensing under the Federal Atomic Energy Act. Water supply wells located on our properties are subject to federal, state, and local regulations. In addition, our use of explosives is subject to the Federal Safe Explosives Act. We are also required to comply with the Federal Safe Drinking Water Act, the Toxic Substance Control Act, and the Emergency Planning and Community Right-to-Know Act. The costs of compliance with these regulations should not have a material adverse effect on our business, financial condition or results of operations.

Suppliers

The main types of goods we purchase are mining equipment and replacement parts, steel-related (including roof control) products, belting products, lubricants, electricity, fuel, and tires. Although we have many long, well-established relationships with our key suppliers, we do not believe that we are dependent on any of our individual suppliers other than for purchases of electricity. The supplier base providing mining materials has been relatively consistent in recent years. Purchases of certain underground mining equipment are concentrated with one principal supplier; however, supplier competition continues to develop.

Illinois Basin (ILB)

The coal industry underwent a significant transformation in the early 1990s, as greater environmental accountability was established in the electric utility industry. Through the U.S. Clean Air Act, acceptable baseline levels were established for the release of sulfur dioxide in power plant emissions. In order to comply with the new law, most utilities switched fuel consumption to low-sulfur coal, thereby stripping the ILB of over 50 million tons of annual coal demand. This strategy continued until mid-2000 when a shortage of low-sulfur coal drove up prices. This price increase combined with the assurance from the U.S. government that the utility industry would be able to recoup their costs to install scrubbers caused utilities to begin investing in scrubbers on a large scale. With scrubbers, the ILB re-opened as a significant fuel source for utilities and has enabled them to burn lower-cost high sulfur coal.

The ILB consists of coal mining operations covering more than 50,000 square miles in Illinois, Indiana, and western Kentucky. The ILB is centrally located between four of the largest regions that consume coal as fuel for electricity generation (East North Central, West South Central, West North Central, and East South Central). The region also has access to sufficient rail and water transportation routes that service coal-fired power plants in these regions as well as other significant coal consuming regions of the South Atlantic and Middle Atlantic.

U. S. Coal Industry

The major coal production basins in the U.S. include Central Appalachia (CAPP), Northern Appalachia (NAPP), Illinois Basin (ILB), Powder River Basin (PRB), and the Western Bituminous region (WB). CAPP includes eastern Kentucky, Tennessee, Virginia and southern West Virginia. NAPP includes Maryland, Ohio, Pennsylvania, and northern West Virginia. The ILB includes Illinois, Indiana, and western Kentucky. The PRB is located in northeastern Wyoming and southeastern Montana. The WB includes western Colorado, eastern Utah, and southern Wyoming. Hallador, through its wholly-owned subsidiary Sunrise Coal, LLC, mines coal exclusively in the ILB.

Coal type varies by basin. Heat value and sulfur content are important quality characteristics and determine the end-use for each coal type.

Coal in the U.S. is mined through surface and underground mining methods. The primary underground mining techniques are longwall mining and continuous (room-and-pillar) mining. The geological conditions dictate which technique to use. Our mines utilize the continuous mining technique. In continuous mining, rooms are cut into the coal bed leaving a series of pillars, or columns of coal, to help support the mine roof and control the flow of air. Continuous mining equipment cuts the coal from the mining face. Generally, openings are driven 20’ wide, and the pillars are rectangular in shape measuring 40’x 40’. As mining advances, a grid-like pattern of entries and pillars is formed. Roof bolts are used to secure the roof of the mine. Battery cars move the coal to the conveyor belt for transport to the surface. The pillars can constitute up to 50% of the total coal in a seam.

The United States coal industry is highly competitive, with numerous producers selling into all markets that use coal. We compete against large producers such as Peabody Energy Corporation (NYSE: BTU), Alliance Resource Partners (Nasdaq: ARLP), and other private producers.

Human Capital

As of December 31, 2021, Hallador Energy Company and its subsidiaries employed 805 full-time employees and temporary miners. 760 of those employees and temporary miners are directly involved in the coal mining or coal washing process. Our workforce is entirely union-free. To attract and retain top talent, we provide competitive wages, an annual bonus for all employees, excellent benefits, an employee health clinic, and a culture that is committed to health and safety at all levels.

Employee health and safety is a top priority at Hallador Energy's wholly owned subsidiary, Sunrise Coal, LLC. With a robust safety department and safety standards that exceed mandated guidelines, we make safety the foundation of everything we do. While every precaution is taken to prevent mine emergencies, Sunrise Coal has its own private mine rescue team. This team is trained and ready to manage any emergency at a Sunrise Coal, LLC facility, but also ready and available to assist other mine rescue teams. In addition to a highly decorated private mine rescue team, Sunrise Coal in 2021 had three employees on the Indiana State Mine Rescue team and one team trainer which was more than any other mine in Indiana. We continuously monitor safety data such as injury severity, violations per inspection day, and significant and substantial citations and compare to the national averages noting that in 2021 we were at or below the national averages in all three categories. For more information about citations or orders for violations of standards under the FMSHA, as amended by the Miner Act, please see our Exhibit 95.1 to this Annual Report on Form 10-K.

While other companies have moved to high deductible health plans, Hallador Energy is committed to providing comprehensive affordable health insurance with low-cost deductibles and co-pays to take care of our employees and their families. We believe in decreasing the barriers to healthcare, so employees and their dependents do not have to delay care. Our employees and their families also have access to a private full-time health and wellness clinic, with free medications, no cost diagnostics, and a wellness coach.

Beyond investing in the safety and health of its employees, Hallador Energy invests in educational opportunities for its employees. All continuing education requirements and training are completely paid for by the company and tuition reimbursement programs are available to every employee companywide.

We are committed to protecting our employees and doing our part to mitigate the spread of COVID-19 while implementing contingency plans to ensure that we continue to supply our customers without interruption. As the situation has continued to evolve, we continue to monitor the Center for Disease Control and Prevention (CDC) guidelines to keep our employees and their families safe. We have instituted many policies and procedures, in alignment with CDC guidelines along with state and local mandates, to protect our employees during the COVID-19 outbreak. We plan to keep these policies and procedures in place, in accordance with CDC, state, and local guidelines, and continually evaluate further enhancements for as long as necessary. As vaccines for COVID-19 continue to become readily available, we intend to continue encouraging our workforce to get vaccinated, and we are hopeful that the case rate of our employees will continue to decline, and economic activity in general will continue to accelerate. We continue to offer cash incentives to employees who show proof of vaccination.

Other

We have no significant patents, trademarks, licenses, franchises or concessions.

Our corporate office is located at 1183 East Canvasback Drive, Terre Haute, Indiana, 47802, and Sunrise Coal's corporate office is at the same location, phone 812.299.2800. Terre Haute is approximately 70 miles west of Indianapolis.

ITEM 1A. RISK FACTORS.

Risks Related to our Business

We face various risks related to pandemics and similar outbreaks, which have had and may continue to have material adverse effects on our business, financial position, results of operations, and/or cash flows.

We face a wide variety of risks related to pandemics, including the global outbreak of COVID-19. Since first reported in late 2019, the COVID-19 pandemic has dramatically impacted the global health and economic environment, including millions of confirmed cases, business slowdowns or shutdowns, government challenges, and market volatility of an unprecedented nature. Although we have, to date, managed to continue our operations, we cannot predict the future course of events nor can we assure that this global pandemic, including its economic impact, will not continue to have a material adverse impact on our business, financial position, results of operations and/or cash flows. The COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty and turmoil in the coal industry. The COVID-19 outbreak and the responsive actions to limit the spread of the virus significantly reduced global economic activity, resulting in a decline in the demand for coal and other commodities. Our operations could be further impacted by the COVID-19 pandemic if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, or absenteeism; steps the company has taken to protect health and well-being; government actions; facility closures; work slowdowns or stoppages; inadequate supplies or resources (such as reliable personal protective equipment, testing, and vaccines); or other circumstances related to COVID-19. Looking forward, we could be unable to perform fully on our contracts, we could experience interruptions in our business, and we could incur liabilities and suffer losses as a result. We will continue to incur additional costs because of the COVID-19 outbreak, including protecting the health and well-being of our employees and as a result of impacts on operations and performance, which costs we may not be fully able to recover. We could be subject to additional regulatory requirements, enforcement actions, and litigation, again with costs and liabilities that are not fully recoverable or insured. The continued spread of COVID-19 could also affect our ability to hire, develop and retain our talented and diverse workforce, and to maintain our corporate culture. The continued global pandemic, including the economic impact, is likely also to cause further disruption in our supply chain. If our suppliers have increased challenges with their workforce (including as a result of illness, absenteeism or government orders), facility closures, access to necessary components and supplies, access to capital, and access to fundamental support services (such as shipping and transportation), they could be unable to provide the agreed-upon goods and services in a timely, compliant and cost-effective manner. We could incur additional costs and delays in our business, including as a result of higher prices for materials and equipment and schedule delays. As a result of the COVID-19 crisis, there may be changes in our customers' priorities and practices, as our customers confront reduced demand. Our customers have and may continue to experience adverse effects as a result of the COVID-19 crisis which could impact their creditworthiness or their ability to make payment for our products. We continue to work with our stakeholders (including customers, employees, suppliers, and local communities) to address this global pandemic responsibly. We continue to monitor the situation, to assess further possible implications to our employees, business, supply chain, and customers, and to take certain actions to mitigate various adverse consequences. We expect that the longer the COVID-19 pandemic, including its economic disruption, continues, the greater the adverse impact on our business operations, financial performance, and results of operations could be. Given the tremendous uncertainties and variables that still exist, we cannot predict the impact of the global COVID-19 pandemic, or any future pandemic, on our operational and financial performance in future periods; but any pandemic or similar outbreak could have a material adverse impact on our business.

Global economic conditions or economic conditions in any of the industries in which our customers operate as well as sustained uncertainty in financial markets could have material adverse impacts on our business and financial condition that we currently cannot predict.

Weakness in global economic conditions or economic conditions in any of the industries we serve or in the financial markets could materially adversely affect our business and financial condition. For example:

- the demand for electricity in the U.S. and globally may decline if economic conditions deteriorate, which may negatively impact the revenues, margins, and profitability of our business;
- any inability of our customers to raise capital could adversely affect their ability to honor their obligations to us; and
- our future ability to access the capital markets may be restricted as a result of future economic conditions, which could materially impact our ability to grow our business, including development of our coal reserves.

The stability and profitability of our operations could be adversely affected if our customers do not honor existing contracts or do not extend existing or enter into new long-term contracts for coal.

In 2021, the vast majority of our sales were under contracts having a term greater than one year, which we refer to as long-term contracts. Long-term sales contracts have historically provided a relatively secure market for the amount of production committed under the terms of the contracts. From time to time industry conditions may make it more difficult for us to enter into long-term contracts with our electric utility customers, and if supply exceeds demand in the coal industry, electric utilities may become less willing to lock in price or quantity commitments for an extended period of time. Accordingly, we may not be able to continue to obtain long-term sales contracts with reliable customers as existing contracts expire, which could subject a portion of our revenue stream to the increased volatility of the spot market.

Some of our long-term coal sales contracts contain provisions allowing for the renegotiation of prices and, in some instances, the termination of the contract or the suspension of purchases by customers.

Some of our long-term contracts contain provisions that allow for the purchase price to be renegotiated at periodic intervals. These price reopener provisions may automatically set a new price based on the prevailing market price or, in some instances, require the parties to the contract to agree on a new price. Any adjustment or renegotiation leading to a significantly lower contract price could adversely affect our operating profit margins. Accordingly, long-term contracts may provide only limited protection during adverse market conditions. In some circumstances, failure of the parties to agree on a price under a reopener provision can also lead to early termination of a contract.

Several of our long-term contracts also contain provisions that allow the customer to suspend or terminate performance under the contract upon the occurrence or continuation of certain events that are beyond the customer's reasonable control. Such events may include labor disputes, mechanical malfunctions and changes in government regulations, including changes in environmental regulations rendering use of our coal inconsistent with the customer's environmental compliance strategies. Additionally, most of our long-term contracts contain provisions requiring us to deliver coal within stated ranges for specific coal characteristics. Failure to meet these specifications can result in economic penalties, rejection or suspension of shipments or termination of the contracts. In the event of early termination of any of our long-term contracts, if we are unable to enter into new contracts on similar terms, our business, financial condition and results of operations could be adversely affected.

We depend on a few customers for a significant portion of our revenue, and the loss of one or more significant customers could affect our ability to maintain the sales volume and price of the coal we produce.

During 2021, we derived 95% of our revenue from five customers (10 power plants), with each of the five customers representing at least 10% of our coal sales. If in the future we lose any of these customers without finding replacement customers willing to purchase an equivalent amount of coal on similar terms, or if these customers were to decrease the amounts of coal purchased or the terms, including pricing terms, on which they buy coal from us, it could have a material adverse effect on our business, financial condition and results of operations.

Our ability to collect payments from our customers could be impaired if their creditworthiness declines or if they fail to honor their contracts with us.

Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. If the creditworthiness of our customers declines significantly, our business could be adversely affected. In addition, if a customer refuses to accept shipments of our coal for which they have an existing contractual obligation, our revenues will decrease, and we may have to reduce production at our mines until our customer's contractual obligations are honored.

Although none of our employees are members of unions, our workforce may not remain union-free in the future.

None of our employees are represented under collective bargaining agreements. However, all of our workforce may not remain union-free in the future, and legislative, regulatory or other governmental action could make it more difficult to remain union-free. If some or all of our currently union-free operations were to become unionized, it could adversely affect our productivity and increase the risk of work stoppages at our mining complexes. In addition, even if we remain union-free, our operations may still be adversely affected by work stoppages at unionized companies, particularly if union workers were to orchestrate boycotts against our operations.

Completion of growth projects and future expansion could require significant amounts of financing that may not be available to us on acceptable terms, or at all.

We plan to fund capital expenditures for our current growth projects with existing cash balances, future cash flows from operations, borrowings under credit facilities and cash provided from the issuance of debt or equity. At times, weakness in the energy sector in general and coal, in particular, has significantly impacted access to the debt and equity capital markets. Accordingly, our funding plans may be negatively impacted by this constrained environment as well as numerous other factors, including higher than anticipated capital expenditures or lower than expected cash flow from operations. In addition, we may be unable to refinance our current debt obligations when they expire or obtain adequate funding prior to expiry because our lending counterparties may be unwilling or unable to meet their funding obligations. Furthermore, additional growth projects and expansion opportunities may develop in the future that could also require significant amounts of financing that may not be available to us on acceptable terms or in the amounts we expect, or at all.

Various factors could adversely impact the debt and equity capital markets as well as our credit ratings or our ability to remain in compliance with the financial covenants under our then current debt agreements, which in turn could have a material adverse effect on our financial condition, results of operations and cash flows. If we are unable to finance our growth and future expansions as expected, we could be required to seek alternative financing, the terms of which may not be attractive to us, or to revise or cancel our plans.

Terrorist attacks or cyber-incidents could result in information theft, data corruption, operational disruption and/or financial loss.

Like most companies, we have become increasingly dependent upon digital technologies, including information systems, infrastructure and cloud applications and services, to operate our businesses, to process and record financial and operating data, communicate with our business partners, analyze mine and mining information, estimate quantities of coal reserves, as well as other activities related to our businesses. Strategic targets, such as energy-related assets, may be at greater risk of future terrorist or cyber-attacks than other targets in the U.S. Deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties, could lead to corruption or loss of our proprietary data and potentially sensitive data, delays in production or delivery, difficulty in completing and settling transactions, challenges in maintaining our books and records, environmental damage, communication interruptions, other operational disruptions and third-party liability. Our insurance may not protect us against such occurrences. Consequently, it is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business, financial condition, results of operations and cash flows. Further, as cyber incidents continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents.

We may not recover our investments in our mining and other assets, which may require us to recognize impairment charges related to those assets.

The value of our assets has from time to time been adversely affected by numerous uncertain factors, some of which are beyond our control, including unfavorable changes in the economic environments in which we operate, lower-than-expected coal pricing, technical and geological operating difficulties, an inability to economically extract our coal reserves and unanticipated increases in operating costs. These factors may trigger the recognition of additional impairment charges in the future, which could have a substantial impact on our results of operations.

If we are unable to comply with the covenants contained in our credit agreement, the lenders could declare all amounts outstanding to be due and payable and foreclose on their collateral, which could materially adversely affect our financial condition and operations.

As disclosed in Note 5 to our financial statements, there are two key ratio covenants stated in our credit agreement: (i) a Minimum Debt Service Coverage Ratio (consolidated adjusted EBITDA/annual debt service) of 1.05 to 1 and (ii) a Maximum Leverage Ratio (consolidated funded debt/trailing twelve months adjusted EBITDA) not to exceed 3.00 to 1, which also decreases in future periods further reducing the maximum leverage permitted. On December 31, 2021, our debt service coverage ratio was 1.11, and our leverage ratio was 2.34. Therefore, we were in compliance with these two ratios.

Our indebtedness may limit our ability to borrow additional funds or capitalize on business opportunities.

On December 31, 2021, our bank debt was $111.7 million. Our leverage may:

- adversely affect our ability to finance future operations and capital needs;
- limit our ability to pursue acquisitions and other business opportunities; and
- make our results of operations more susceptible to adverse economic or operating conditions.

Various limitations in our debt agreements may reduce our ability to incur additional indebtedness, to engage in some transactions, and capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions.

We could be deemed ineligible for the Paycheck Protection Program (PPP) loan we received in 2020 upon audit by the United States Small Business Administration (SBA) upon completion of an SBA audit.

The PPP loan application required us to certify that the current economic uncertainty made the PPP loan request necessary to support our ongoing operations. While we made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria and that our receipt of the PPP loan is consistent with the broad objectives of the Paycheck Protection Program of the CARES Act, the certification described above does not contain any objective criteria and is subject to interpretation. In addition, the SBA has stated that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the program resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If despite our good faith belief that we satisfied all eligibility requirements for the PPP loan, we are found to have been ineligible to receive the PPP loan or in violation of any of the laws or regulations that apply to us in connection with the PPP loan, including the False Claims Act, we may be subject to penalties, including significant civil, criminal and administrative penalties and could be required to repay the PPP loan. We received forgiveness of the entire $10 million of the PPP loan in July 2021, and as a part of the forgiveness process were required to make certain certifications that will be subject to audit and review by governmental entities and could subject us to significant penalties and liabilities if found to be inaccurate. In addition, our receipt of the PPP loan resulted in adverse publicity, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources. Any of these events could harm our business, results of operations, and financial condition.

Investor and lender focus on ESG matters may negatively impact our business, financial results, and stock price.

Companies across all industries, including companies in the fossil-fuel industry, are facing increased scrutiny from stakeholders related to their ESG practices. Companies that do not adapt or comply with evolving investor or stakeholder expectations and standards, or are perceived to have not responded appropriately to ESG issues, regardless of any legal requirement to do so, may suffer reputational damage and the business, financial condition, and stock price of such companies could be materially and adversely affected. Several advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities, and other members of the investing community. These activities include increasing attention to and demands for action related to climate change, promoting the use of substitutes to fossil-fuel products, encouraging the divestment of fossil-fuel equities, and pressuring lenders to limit funding to companies engaged in the extraction of fossil-fuel reserves. These activities could increase costs, reduce demand for our coal, reduce our profits, increase the potential for investigations and litigation, impair our brand, limit our choices for lenders, insurance providers and business partners, and have negative impacts on our stock price and access to capital markets.

In addition, certain organizations that provide corporate governance and other corporate risk information to investors have developed scores and ratings to evaluate companies and investment funds based upon ESG or "sustainability" metrics. Currently, there are no universal standards for such scores or ratings, but consideration of sustainability evaluations is becoming more broadly accepted by investors. Indeed, many investment funds focus on positive ESG business practices and sustainability scores when making investments, whereas other funds may use certain ESG criteria to "screen" certain sectors, such as coal or fossil fuels more generally, out of their investments. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with companies to require improved ESG disclosure or performance or sell their interests in the company, particularly if its ESG performance does not improve. Moreover, certain members of the broader investment community may consider a company's sustainability score as a reputational or other factor in making an investment decision. Companies in the energy industry, and in particular those focused on coal, natural gas, or oil extraction, often do not score as well under ESG assessments compared to companies in other industries. Consequently, a low ESG or sustainability score could result in our securities being excluded from the portfolios of certain investment funds and investors, restricting our access to capital to fund our continuing operations and growth opportunities.

Additionally, to the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively to recruit or retain employees, which may adversely affect our operations.

Risks Related to our Industry

A substantial or extended decline in coal prices could negatively impact our results of operations.

Our results of operations are primarily dependent upon the prices we receive for our coal, as well as our ability to improve productivity and control costs. The prices we receive for our production depends upon factors beyond our control, including:

- the adverse impact of the COVID-19 pandemic due to the reduction in demand, as well as impacts of the pandemic on our ability to produce coal;
- the supply of and demand for domestic and foreign coal;
- weather conditions and patterns that affect demand for or our ability to produce coal;
- the proximity to and capacity of transportation facilities;
- supply chain and cost of raw materials for coal operations;
- competition from other coal suppliers;
- domestic and foreign governmental regulations and taxes;
- the price and availability of alternative fuels;
- the effect of worldwide energy consumption, including the impact of technological advances on energy consumption;
- overall domestic and global economic conditions;
- international developments impacting supply of coal; and
- the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry and coal-fired power plants, and delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits.

Any adverse change in these factors could result in weaker demand and lower prices for our products. A substantial or extended decline in coal prices could materially and adversely affect us by decreasing our revenues to the extent we are not protected by the terms of existing coal supply agreements.

Competition within the coal industry may adversely affect our ability to sell coal, and excess production capacity in the industry could put downward pressure on coal prices.

We compete with other coal producers for domestic coal sales in various regions of the U.S. The most important factors on which we compete are delivered price (*i.e.*, the cost of coal delivered to the customer, including transportation costs, which are generally paid by our customers either directly or indirectly), coal quality characteristics, contract flexibility (*e.g.*, volume optionality and multiple supply sources) and reliability of supply. Some competitors may have, among other things, larger financial and operating resources, lower per ton cost of production, or relationships with specific transportation providers. The competition among coal producers may impact our ability to retain or attract customers and could adversely impact our revenues and cash from operations.

Changes in taxes or tariffs and other trade measures could adversely affect our results of operations, financial position and cash flows.

We pay certain taxes and fees related to our operations. Congress or state legislatures may seek to increase these taxes and fees that relate specifically to the coal industry. We cannot predict further developments, and such increases could have a material adverse effect on our results of operations, financial position, and cash flows.

New tariffs and other trade measures could adversely affect our results of operations, financial position and cash flows. In response to the tariffs imposed by the United States, the European Union, Canada, Mexico and China have imposed tariffs on United States goods and services. The new tariffs, along with any additional tariffs or trade restrictions that may be implemented by the United States or retaliatory trade measures or tariffs implemented by other countries, could result in reduced economic activity, increased costs in operating our business, reduced demand and changes in purchasing behaviors for thermal coal, limits on trade with the United States or other potentially adverse economic outcomes. While tariffs and other retaliatory trade measures imposed by other countries on United States goods have not yet had a significant impact on our business or results of operations, we cannot predict further developments, and such existing or future tariffs could have a material adverse effect on our results of operations, financial position and cash flows and could reduce our revenues and cash available for distribution.

Changes in consumption patterns by utilities regarding the use of coal have affected our ability to sell the coal we produce.

The domestic electric utility industry accounts for the vast majority of domestic coal consumption. The amount of coal consumed by the domestic electric utility industry is affected primarily by the overall demand for electricity, environmental and other governmental regulations, and the price and availability of competing fuels for power plants such as nuclear, natural gas and fuel oil as well as alternative sources of energy. Gas-fueled generation has the potential to displace a significant amount of coal-fired electric power generation in the near term, particularly from older, less efficient coal-fired powered generators. We expect that many of the new power plants needed in the United States to meet increasing demand for electricity generation will be fueled by natural gas because gas-fired plants are cheaper to construct and permits to construct these plants are easier to obtain.

Future environmental regulation of GHG emissions also could accelerate the use by utilities of fuels other than coal. In addition, federal and state mandates for increased use of electricity derived from renewable energy sources could affect demand for coal. Such mandates, combined with other incentives to use renewable energy sources, such as tax credits, could make alternative fuel sources more competitive with coal. A decrease in coal consumption by the domestic electric utility industry could adversely affect the price of coal, which could negatively impact our results of operations and reduce our cash from operations.

Other factors, such as efficiency improvements associated with technologies powered by electricity have slowed electricity demand growth and could contribute to slower growth in the future. Further decreases in the demand for electricity, such as decreases that could be caused by a worsening of current economic conditions, a prolonged economic recession, or prolonged recovery from the COVID-19 pandemic, could have a material adverse effect on the demand for coal and our business over the long term.

Extensive environmental laws and regulations affect coal consumers and have corresponding effects on the demand for coal as a fuel source.

Federal, state and local laws and regulations extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides, mercury and other compounds emitted into the air from coal-fired electric power plants, which are the ultimate consumers of much of our coal. These laws and regulations can require significant emission control expenditures for many coal-fired power plants, and various new and proposed laws and regulations could require further emission reductions and associated emission control expenditures. These laws and regulations could affect demand and prices for coal. There is also continuing pressure on federal and state regulators to impose limits on carbon dioxide emissions from electric power plants, particularly coal-fired power plants. Further, far-reaching federal regulations promulgated by the EPA in the last several years, such as CSAPR and MATS, have led to the premature retirement of coal-fired generating units and a significant reduction in the amount of coal-fired generating capacity in the U.S.

Our operations are subject to a series of risks resulting from climate change.

Combustion of fossil fuels, such as the coal we produce, results in the emission of carbon dioxide into the atmosphere. Concerns about the environmental impacts of such emissions have resulted in a series of regulatory, political, litigation, and financial risks for our business. Global climate issues continue to attract public and scientific attention. Most scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere could produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods, and other climatic events. Increasing government attention is being paid to global climate issues and to emissions of GHGs, including emissions due to fossil fuels.

In the United States, no comprehensive climate change legislation has been implemented at the federal level. However, following the U.S. Supreme Court finding that GHG emissions constitute a pollutant under the CAA, the EPA has adopted regulations that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain sources in the United States, or constrain the emissions of powerplants (though such emissions restraints have been subject to challenge.)

Separately, various states and groups of states have adopted or are considering adopting legislation, regulations, or other regulatory initiatives that are focused on such areas as GHG cap-and-trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. Internationally, the Paris Agreement requires member states to submit non-binding, individually-determined emissions reduction targets. These commitments could further reduce demand and prices for fossil fuels. Although the United States had withdrawn from the Paris Agreement, following President Biden’s executive order in January 2021, the United States rejoined the Agreement and, in April 2021, established a goal of reducing economy-wide net GHG emissions 50-52% below levels by 2030. Additionally, at COP26 in Glasgow

in November 2021, the United States and the European Union jointly announced the launch of a Global Methane Pledge committing to a collective goal of reducing global methane emissions by at least 30% from 2020 levels by 2030, including "all feasible reductions" in the energy sector. The full impact of these actions is uncertain at this time and it is unclear what additional initiatives may be adopted or implemented that may have adverse effects upon us and our operators' operations.

Governmental, scientific, and public concern over climate change has also resulted in increased political risks, including certain climate-related pledges made by certain candidates now in political office. In January 2021, President Biden issued an executive order that commits to substantial action on climate change, calling for, among other things, the increased use of zero-emissions vehicles by the federal government, the elimination of subsidies provided to the fossil-fuel industry, a doubling of electricity generated by offshore wind by 2030, and increased emphasis on climate-related risks across governmental agencies and economic sectors. Other actions that may be pursued include restrictive requirements on new pipeline infrastructure or fossil-fuel export facilities or the promulgation of a carbon tax or cap and trade program. Further, although Congress has not passed such legislation, almost half of the states have begun to address GHG emissions, primarily through the planned development of emissions inventories, regional GHG cap and trade programs, or the establishment of renewable energy requirements for utilities. Depending on the particular program, we or our customers could be required to control GHG emissions or to purchase and surrender allowances for GHG emissions resulting from our operations. Litigation risks are also increasing.

Apart from governmental regulation, there are also increasing financial risks for fossil-fuel producers as stakeholders of fossil-fuel energy companies may elect in the future to shift some or all of their support into non-energy related sectors. Institutional lenders who provide financing to fossil-fuel energy companies also have become more attentive to sustainable lending practices and some of them may elect not to provide funding for fossil-fuel energy companies. For example, at COP26, the Glasgow Financial Alliance for Net Zero ("GFANZ") announced that commitments from over 450 firms across 45 countries had resulted in over $130 trillion in capital committed to net zero goals. The various sub-alliances of GFANZ generally require participants to set short-term, sector-specific targets to transition their financing, investing, and/or underwriting activities to net zero emissions by 2050. There is also a risk that financial institutions will be required to adopt policies that have the effect of reducing the funding provided to the fossil-fuel sector. In late 2020, the Federal Reserve announced it had joined the Network for Greening the Financial System ("NGFS"), a consortium of financial regulators focused on addressing climate-related risks in the financial sector. Subsequently, in November 2021, the Federal Reserve issued a statement in support of the efforts of the NGFS to identify key issues and potential solutions for the climate-related challenges most relevant to central banks and supervisory authorities. Although we cannot predict the effects of these actions, such limitation of investments in and financing, bonding, and insurance coverages for fossil-fuel energy companies could adversely affect our coal mining operations. Additionally, the SEC announced its intention to promulgate rules requiring climate disclosures. Although the form and substance of these requirements is not yet known, this may result in additional costs to comply with any such disclosure requirements.

The adoption and implementation of new or more stringent international, federal, or state legislation, regulations, or other regulatory initiatives that impose more stringent standards for GHG emissions from fossil-fuel companies could result in increased costs of compliance or costs of consuming, and thereby reduce demand for coal, which could reduce the profitability of our interests. Additionally, political, litigation, and financial risks could result in either us restricting or canceling mining activities, incurring liability for infrastructure damages as a result of climatic changes, or having an impaired ability to continue to operate in an economic manner. One or more of these developments, as well as concerted conservation and efficiency efforts that result in reduced electricity consumption, and consumer and corporate preferences for non-fossil-fuel sources, including alternative energy sources, could cause prices and sales of our coal to materially decline and could cause our costs to increase and adversely affect our revenues and results of operations.

Climate change may also result in various physical risks, such as the increased frequency or intensity of extreme weather events or changes in meteorological and hydrological patterns that could adversely impact our operations. Such physical risks may result in damage to our facilities or otherwise adversely impact operations which could decrease our production. We may not have insurance to cover these risks and the consequences for our operations could have a negative impact on the costs and revenues from operations.

We or our customers could be subject to related to the alleged effects of climate change.

Increasing attention to climate change risk has also resulted in a recent trend of governmental investigations and private litigation by state and local governmental agencies as well as private plaintiffs in an effort to hold energy companies accountable for the alleged effects of climate change. Other public nuisance lawsuits have been brought in the past against power, coal, and oil & gas companies alleging that their operations are contributing to climate change. The plaintiffs in these suits sought various remedies, including punitive and compensatory damages and injunctive relief. While the U.S. Supreme Court held that federal common law provided no basis for public nuisance claims against the defendants in those cases, tort-type liabilities remain a possibility and a source of concern. Government entities in other states (including California and New York) have brought similar claims seeking to hold a wide variety of companies that produce fossil fuels liable for the alleged impacts of the GHG emissions attributable to those fuels. Those lawsuits allege damages as a result of climate change and the plaintiffs are seeking unspecified damages and abatement under various tort theories. Separately, litigation has been brought against certain fossil-fuel companies alleging that they have been aware of the adverse effects of climate change for some time but failed to adequately disclose such impacts to their investors or consumers. We have not been made a party to these other suits, but it is possible that we could be included in similar future lawsuits initiated by state and local governments as well as private claimants.

Litigation resulting from disputes with our customers may result in substantial costs, liabilities, and loss of revenues.

From time to time we have disputes with our customers over the provisions of long-term coal supply contracts relating to, among other things, coal pricing, quality, quantity and the existence of specified conditions beyond our or our customers' control that suspend performance obligations under the particular contract. Disputes may occur in the future, and we may not be able to resolve those disputes in a satisfactory manner, which could have a material adverse effect on our business, financial condition and results of operations.

Our profitability may decline due to unanticipated mine operating conditions and other events that are not within our control and that may not be fully covered under our insurance policies.

Our mining operations are influenced by changing conditions or events that can affect production levels and costs at particular mines for varying lengths of time and, as a result, can diminish our profitability. These conditions and events include, among others:

- mining and processing equipment failures and unexpected maintenance problems;
- unavailability of required equipment;
- prices for fuel, steel, explosives and other supplies;
- fines and penalties incurred as a result of alleged violations of environmental and safety laws and regulations;
- variations in thickness of the layer, or seam, of coal;
- amounts of overburden, partings, rock and other natural materials;
- weather conditions, such as heavy rains, flooding, ice and other natural events affecting operations, transportation or customers;
- accidental mine water discharges and other geological conditions;
- seismic activities, ground failures, rock bursts or structural cave-ins or slides;
- fires;
- employee injuries or fatalities;
- labor-related interruptions;
- increased reclamation costs;
- inability to acquire, maintain or renew mining rights or permits in a timely manner, if at all;
- fluctuations in transportation costs and the availability or reliability of transportation; and
- unexpected operational interruptions due to other factors.

These conditions have the potential to significantly impact our operating results. Prolonged disruption of production at any of our mines would result in a decrease in our revenues and profitability, which could materially adversely impact our quarterly or annual results.

Our inability to obtain commercial insurance at acceptable rates or our failure to adequately reserve for self-insured exposures could increase our expenses and have a negative impact on our business.

We believe that commercial insurance coverage is prudent in certain areas of our business for risk management. Insurance costs could increase substantially in the future and could be affected by natural disasters, fear of terrorism, financial irregularities, cybersecurity breaches and other fraud at publicly-traded companies, intervention by the government, an increase in the number of claims received by the carriers, and a decrease in the number of insurance carriers. In addition, the carriers with which we hold our policies could go out of business or be otherwise unable to fulfill their contractual obligations or could disagree with our interpretation of the coverage or the amounts owed. In addition, for certain types or levels of risk, such as risks associated with certain natural disasters or terrorist attacks, we may determine that we cannot obtain commercial insurance at acceptable rates, if at all. Therefore, we may choose to forego or limit our purchase of relevant commercial insurance, choosing instead to self-insure one or more types or levels of risks. If we suffer a substantial loss that is not covered by commercial insurance or our self-insurance reserves, the loss and related expenses could harm our business and operating results. Also, exposures exist for which no insurance may be available and for which we have not reserved. In addition, environmental activists could try to hamper fossil-fuel companies by other means including pressuring insurance and surety companies into restricting access to certain needed coverages.

Our mining operations are subject to extensive and costly laws and regulations, and such current and future laws and regulations could increase current operating costs or limit our ability to produce coal.

We are subject to numerous federal, state and local laws and regulations affecting the coal mining industry, including laws and regulations pertaining to employee health and safety, permitting and licensing requirements, air and water quality standards, plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, the discharge or release of materials into the environment, surface subsidence from underground mining and the effects that mining has on groundwater quality and availability. Certain of these laws and regulations may impose strict liability without regard to fault or legality of the original conduct. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial liabilities, and the issuance of injunctions limiting or prohibiting the performance of operations. Complying with these laws and regulations may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. The possibility exists that new laws or regulations may be adopted, or that judicial interpretations or more stringent enforcement of existing laws and regulations may occur, which could materially affect our mining operations, cash flow, and profitability, either through direct impacts on our mining operations, or indirect impacts that discourage or limit our customers' use of coal. Federal and state laws addressing mine safety practices impose stringent reporting requirements and civil and criminal penalties for violations. Federal and state regulatory agencies continue to interpret and implement these laws and propose new regulations and standards. Implementing and complying with these laws and regulations has increased and will continue to increase our operational expense and have an adverse effect on our results of operation and financial position.

We may be unable to obtain and renew permits necessary for our operations, which could reduce our production, cash flow and profitability.

Mining companies must obtain numerous governmental permits or approvals that impose strict conditions and obligations relating to various environmental and safety matters in connection with coal mining. The permitting rules are complex and can change over time. Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. The public has the right to comment on permit applications and otherwise participate in the permitting process, including through court intervention. Accordingly, permits required to conduct our operations may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict our ability to economically conduct our mining operations. Limitations on our ability to conduct our mining operations due to the inability to obtain or renew necessary permits or similar approvals could reduce our production, cash flow, and profitability.

The EPA has begun reviewing permits required for the discharge of overburden from mining operations under Section 404 of the CWA. Various initiatives by the EPA regarding these permits have increased the time required to obtain and the costs of complying with such permits. In addition, the EPA previously exercised its "veto" power to withdraw or restrict the use of previously issued permits in connection with one of the largest surface mining operations in Appalachia. The EPA's action was ultimately upheld by a federal court. As a result of these developments, we may be unable to obtain or experience delays in securing, utilizing or renewing Section 404 permits required for our operations, which could have an adverse effect on our results of operation and financial position.

In addition, some of our permits could be subject to challenges from the public, which could result in additional costs or delays in the permitting process, or even an inability to obtain permits, permit modifications or permit renewals necessary for our operations.

Fluctuations in transportation costs and the availability or reliability of transportation could reduce revenues by causing us to reduce our production or by impairing our ability to supply coal to our customers.

Transportation costs represent a significant portion of the total cost of coal for our customers and, as a result, the cost of transportation is a critical factor in a customer's purchasing decision. Increases in transportation costs could make coal a less competitive source of energy or could make our coal production less competitive than coal produced from other sources. Disruption of transportation services due to weather-related problems, flooding, drought, accidents, mechanical difficulties, strikes, lockouts, bottlenecks or other events could temporarily impair our ability to supply coal to our customers. Our transportation providers may face difficulties in the future that may impair our ability to supply coal to our customers, resulting in decreased revenues. If there are disruptions of the transportation services provided by our primary rail carriers that transport our coal and we are unable to find alternative transportation providers to ship our coal, our business could be adversely affected.

Conversely, significant decreases in transportation costs could result in increased competition from coal producers in other parts of the country. For instance, difficulty in coordinating the many eastern coal loading facilities, the large number of small shipments, the steeper average grades of the terrain and a more unionized workforce are all issues that combine to make coal shipments originating in the eastern U.S. inherently more expensive on a per-mile basis than coal shipments originating in the western U.S. Historically, high coal transportation rates from the western coal-producing areas into certain eastern markets limited the use of western coal in those markets. Lower rail rates from the western coal producing areas to markets served by eastern U.S. coal producers have created major competitive challenges for eastern coal producers. In the event of further reductions in transportation costs from western coal-producing areas, the increased competition with certain eastern coal markets could have a material adverse effect on our business, financial condition and results of operations.

It is possible that states in which our coal is transported by truck may modify or increase enforcement of their laws regarding weight limits or coal trucks on public roads. Such legislation and enforcement efforts could result in shipment delays and increased costs. An increase in transportation costs could have an adverse effect on our ability to increase or to maintain production and could adversely affect revenues.

We may not be able to successfully grow through future acquisitions.

We have expanded our operations by adding and developing mines and coal reserves in existing, adjacent and neighboring properties. We continually seek to expand our operations and coal reserves. Our future growth could be limited if we are unable to continue to make acquisitions, or if we are unable to successfully integrate the companies, businesses or properties we acquire. We may not be successful in consummating any acquisitions and the consequences of undertaking these acquisitions are unknown. Moreover, any acquisition could be dilutive to earnings. Our ability to make acquisitions in the future could require significant amounts of financing that may not be available to us under acceptable terms and may be limited by restrictions under our existing or future debt agreements, competition from other coal companies for attractive properties or the lack of suitable acquisition candidates.

Expansions and acquisitions involve a number of risks, any of which could cause us not to realize the anticipated benefits.

If we are unable to successfully integrate the companies, businesses or properties we acquire, our profitability may decline, and we could experience a material adverse effect on our business, financial condition, or results of operations. Expansion and acquisition transactions involve various inherent risks, including:

- uncertainties in assessing the value, strengths, and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental or mine safety liabilities) of, expansion and acquisition opportunities;
- the ability to achieve identified operating and financial synergies anticipated to result from an expansion or an acquisition;
- problems that could arise from the integration of the new operations; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the expansion or acquisition opportunity.

Any one or more of these factors could cause us not to realize the benefits anticipated to result from an expansion or acquisition. Any expansion or acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. In addition, future expansions or acquisitions could result in us assuming more long-term liabilities relative to the value of the acquired assets than we have assumed in our previous expansions and/or acquisitions.

The unavailability of an adequate supply of coal reserves that can be mined at competitive costs could cause our profitability to decline.

Our profitability depends substantially on our ability to mine coal reserves that have the geological characteristics that enable them to be mined at competitive costs and to meet the quality needed by our customers. Because we deplete our reserves as we mine coal, our future success and growth depend, in part, upon our ability to acquire additional coal reserves that are economically recoverable. Replacement reserves may not be available when required or, if available, may not be mineable at costs comparable to those of the depleting mines. We may not be able to accurately assess the geological characteristics of any reserves that we acquire, which may adversely affect our profitability and financial condition. Exhaustion of reserves at particular mines also may have an adverse effect on our operating results that is disproportionate to the percentage of overall production represented by such mines. Our ability to obtain other reserves in the future could be limited by restrictions under our existing or future debt agreements, competition from other coal companies for attractive properties, the lack of suitable acquisition candidates or the inability to acquire coal properties on commercially reasonable terms.

The estimates of our coal reserves may prove inaccurate and could result in decreased profitability.

The estimates of our coal reserves may vary substantially from actual amounts of coal we are able to recover economically. All of the reserves presented in this Annual Report on Form 10-K constitute proven and probable reserves. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Estimates of coal reserves necessarily depend upon a number of variables and assumptions, any one of which may vary considerably from actual results. These factors and assumptions relate to:

- geological and mining conditions, which may not be fully identified by available exploration data and/or differ from our experiences in areas where we currently mine;
- the percentage of coal in the ground ultimately recoverable;
- historical production from the area compared with production from other producing areas;
- the assumed effects of regulation and taxes by governmental agencies;
- future improvements in mining technology; and
- assumptions concerning future coal prices, operating costs, capital expenditures, severance and excise taxes, and development and reclamation costs.

For these reasons, estimates of the recoverable quantities of coal attributable to any particular group of properties, classifications of reserves based on risk of recovery and estimates of future net cash flows expected from these properties as prepared by different engineers, or by the same engineers at different times, may vary substantially. Actual production, revenue, and expenditures with respect to our reserves will likely vary from estimates, and these variations may be material. Any inaccuracy in the estimates of our reserves could result in higher than expected costs and decreased profitability.

Mining in certain areas in which we operate is more difficult and involves more regulatory constraints than mining in other areas of the U.S., which could affect the mining operations and cost structures of these areas.

The geological characteristics of some of our coal reserves, such as depth of overburden and coal seam thickness, make them difficult and costly to mine. As mines become depleted, replacement reserves may not be available when required or, if available, may not be mineable at costs comparable to those characteristic of the depleting mines. In addition, permitting, licensing and other environmental and regulatory requirements associated with certain of our mining operations are more costly and time-consuming to satisfy. These factors could materially adversely affect the mining operations and cost structures of, and our customers' ability to use coal produced by, our mines.

Unexpected increases in raw material costs could significantly impair our operating profitability.

Our coal mining operations are affected by commodity prices. We use significant amounts of steel, petroleum products, and other raw materials in various pieces of mining equipment, supplies and materials, including the roof bolts required by the room-and-pillar method of mining. Steel prices and the prices of scrap steel, natural gas and coking coal consumed in the production of iron and steel fluctuate significantly and may change unexpectedly. Inflationary pressures have and could continue to lead to price increases affecting many of the components of our operating expenses such as fuel, steel, and maintenance expense.

There may be acts of nature or terrorist attacks or threats that could also impact the future costs of raw materials. Future volatility in the price of steel, petroleum products or other raw materials will impact our operational expenses and could result in significant fluctuations in our profitability.

Failure to obtain or renew surety bonds on acceptable terms could affect our ability to secure reclamation and coal lease obligations and, therefore, our ability to mine or lease coal.

Federal and state laws require us to obtain surety bonds to secure performance or payment of certain long-term obligations, such as mine closure or reclamation costs. We may have difficulty procuring or maintaining our surety bonds. Our bond issuers may demand higher fees, additional collateral, including letters of credit or other terms less favorable to us upon those renewals. Because we are required by state and federal law to have these bonds in place before mining can commence or continue, failure to maintain surety bonds, letters of credit or other guarantees or security arrangements would materially and adversely affect our ability to mine or lease coal. That failure could result from a variety of factors, including lack of availability, higher expense or unfavorable market terms, the exercise by third-party surety bond issuers of their right to refuse to renew the surety and restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of our financing arrangements.

Certain federal income tax deductions currently available with respect to coal mining and production may be eliminated as a result of future legislation.

In past years, members of Congress have indicated a desire to eliminate certain key U.S. federal income tax provisions currently applicable to coal companies, including the percentage depletion allowance with respect to coal properties. No legislation with that effect has been proposed, but the elimination of those provisions would negatively impact our financial statements and results of operations.

A shortage of skilled labor may make it difficult for us to maintain labor productivity and competitive costs and could adversely affect our profitability.

Efficient coal mining using modern techniques and equipment requires skilled laborers, preferably with at least one year of experience and proficiency in multiple mining tasks. In recent years, a shortage of experienced coal miners has caused us to include some inexperienced staff in the operation of certain mining units, which decreases our productivity and increases our costs. This shortage of experienced coal miners is the result of a significant percentage of experienced coal miners reaching retirement age, combined with the difficulty of retaining existing workers in and attracting new workers to the coal industry. Thus, this shortage of skilled labor could continue over an extended period. If the shortage of experienced labor continues or worsens, it could have an adverse impact on our labor productivity and costs and our ability to expand production in the event there is an increase in the demand for our coal, which could adversely affect our profitability.

Disruptions in supply chains could significantly impair our operating profitability.

We are dependent upon vendors to supply mining equipment, safety equipment, supplies, and materials. If a vendor fails to deliver on its commitments, or if common carriers have difficulty providing capacity to meet demands for their services, we could experience reductions in our production or increased production costs, which could lead to reduced profitability and adversely affect our results of operations.

Inflationary pressures could significantly impair our operating profitability.

Any future inflationary or deflationary pressures could adversely affect the results of our operations. For example, at times our results have been significantly impacted by price increases affecting many of the components of our operating expenses such as fuel, steel, maintenance expense and labor. In addition to potential cost increases, inflation could cause a decline in global or regional economic conditions that reduce demand for our coal and could adversely affect our results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS. None.

ITEM 2. PROPERTIES.

See “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of our mines.

ITEM 3. LEGAL PROCEEDINGS. None

ITEM 4. MINE SAFETY DISCLOSURES:

Safety is a core value for us and our subsidiaries. As such, we have dedicated a great deal of time, energy, and resources to creating a culture of safety.

See Exhibit 95 to this Form 10-K for a listing of our mine safety violations.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Stock Price Information

Our common stock trades on the NASDAQ Capital Market under the symbol HNRG, and 30.7% is held by our officers, directors, and their affiliates.

At March 23, 2022, we had 275 shareholders of record of our common stock; this number does not include the shareholders holding stock in "street name." We estimate we have over 5,000 street name holders.

Equity Compensation Plan Information

See Note 10 to our consolidated financial statements.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our consolidated financial statements should be read in conjunction with this discussion. The following analysis includes a discussion of metrics on a per ton basis derived from the condensed consolidated financial statements, which are considered non-GAAP measurements. These metrics are significant factors in assessing our operating results and profitability.

COVID-19

In the first quarter of 2020, COVID-19 emerged as a global pandemic. The State of Indiana, where our operations are located, issued a shelter in place order from March 24, 2020, to May 4, 2020. The State deemed our operations necessary and essential, and we were allowed to operate as a supplier to critical power infrastructure. We continue to monitor the ongoing pandemic and note that if conditions deteriorate in the future, it could negatively impact our results of operations, financial position, and liquidity.

We have instituted many policies and procedures, in alignment with CDC guidelines along with state and local mandates, to protect our employees during the COVID-19 outbreak. We plan to keep these policies and procedures in place, in accordance with CDC, state, and local guidelines, and continually evaluate further enhancements for as long as necessary. We recognize that the COVID-19 outbreak, and responses thereto, will also impact both our customers and suppliers. As world economies have emerged from both the global pandemic and the power outages in Texas last winter, supplies have become more challenging to secure. At times we have paid premiums for supplies to ensure no interruptions to our production.

As vaccines for COVID-19 continue to become readily available, we intend to continue encouraging our workforce to get vaccinated, and we are hopeful that the case rate of our employees will continue to decline, and economic activity in general will continue to accelerate. We continue to offer cash incentives to employees who show proof of vaccination.

OVERVIEW

The largest portion of our business is devoted to coal mining in the State of Indiana through Sunrise Coal, LLC (a wholly-owned subsidiary) serving the electric power generation industry. We also own a 50% interest in Sunrise Energy, LLC, a private gas exploration company with operations in Indiana, which we account for using the equity method.

On February 15th, 2022, Hallador Energy announced its new wholly-owned subsidiary, Hallador Power Company, LLC, will acquire Hoosier Energy's 1-Gigawatt Merom Generating Station ("Merom"), located in Sullivan County, Indiana, in return for assuming certain decommissioning costs and environmental responsibilities. The transaction, which includes a 3.5-year power purchase agreement (PPA), is scheduled to close in mid-July 2022 upon obtaining required governmental and financial approvals.

Per the agreement, Hoosier will purchase 100% of the plant's energy and capacity through May 2023, reducing purchases to 22% of energy output and 32% of its capacity beginning in June 2023 and through 2025. The existing renewable PPA – signed in May 2021 and representing 150 MW of solar generation and 50 MW of battery storage – will be retained, with its start date delayed until Merom's eventual retirement.

Going forward, Hallador Energy will have two primary subsidiaries: Sunrise Coal, LLC and Hallador Power Company, LLC. All coal production assets will remain with Sunrise Coal. Hallador Power Company will hold assets associated with electricity production, including, but not limited to, the Merom Generating Station, Power Purchase Agreements and Interconnection rights.

We anticipate operating Merom post-closing in mid-July of 2022. Hallador will provide little coal to the plant in 2022 but anticipates increasing Sunrise Coal's sales to Merom in 2023 and beyond.

We expect Hallador Power to contribute little to Hallador Energy profits in 2022. However, this acquisition is significant starting in 2023, and we believe Hallador Power will double Hallador Energy's EBITDA.

Mining Properties

The following information concerning our mining properties has been prepared in accordance with the requirements of subpart 1300 of Regulation S-K, which first became applicable to us for the fiscal year ended December 31, 2021. These requirements differ from the previously applicable disclosure requirements of SEC Industry Guide 7. Among other differences, subpart 1300 of Regulation S-K requires us to disclose our mineral (coal) resources, which we have none, in addition to our mineral (coal) reserves, as of the end of our most recently completed fiscal year both in the aggregate and for each of our individually material mining properties.

As used in this Annual Report on Form 10-K, the terms "mineral resources," "mineral reserve," "proven mineral reserve" and "probable mineral reserve" are defined and used in accordance with subpart 1300 of Regulation S-K. Under subpart 1300 of Regulation S-K, mineral resources may not be classified as "mineral reserves" unless the determination has been made by a qualified person (QP) that the mineral resources can be the basis of an economically viable project. You are specifically cautioned not to assume that any part or all of the mineral deposits (including any mineral resources) in these categories will ever be converted into mineral reserves, as defined by the SEC.

Internal qualified person(s) have estimated the Company's mineral reserves and mineral resources based on geologic data, coal ownership (control) information, and current and/or proposed operating plans. Periodic updates occur to mineral reserve and mineral resource estimates attributableto revised mine plans, new exploration data, depletion from coal production, property acquisitions or dispositions, and/or other geologic or mining data. Sunrise's estimates of mineral reserves are proven and probable reserves that could be extracted or produced at the time of the reserve determination, economically, legally, and after considering all material modifying factors. Modifications or updates of the estimates of the Company's mineral reserves is limited to qualified geologists and mining engineers. All modifications or updates of the estimates of recoverable coal reserves are documented. The John T. Boyd Company, a qualified person firm, has assessed the Company's estimates of mineral reserves and mineral resources and supporting information. Based upon the review, John T. Boyd Company provided modification to the Company's estimates of mineral reserves where warranted.

The information that follows is derived, for the most part, from, and in some instances is extracted from, the Oaktown Mining Complex technical report summary ("TRS"). The Oaktown Mining Complex is the Company's individually material property. Sections of the following information provided herein do not fully describe assumptions, qualifications, and procedures. Reference should be made to the full text of the TRS which is made a part of this Annual report on Form 10-K and incorporated hereby by reference. The Oaktown Mining Complex TRS was prepared by the John T. Boyd Company in compliance with the Item 60(b)(96) and subpart 1300 of Regulation S-K.

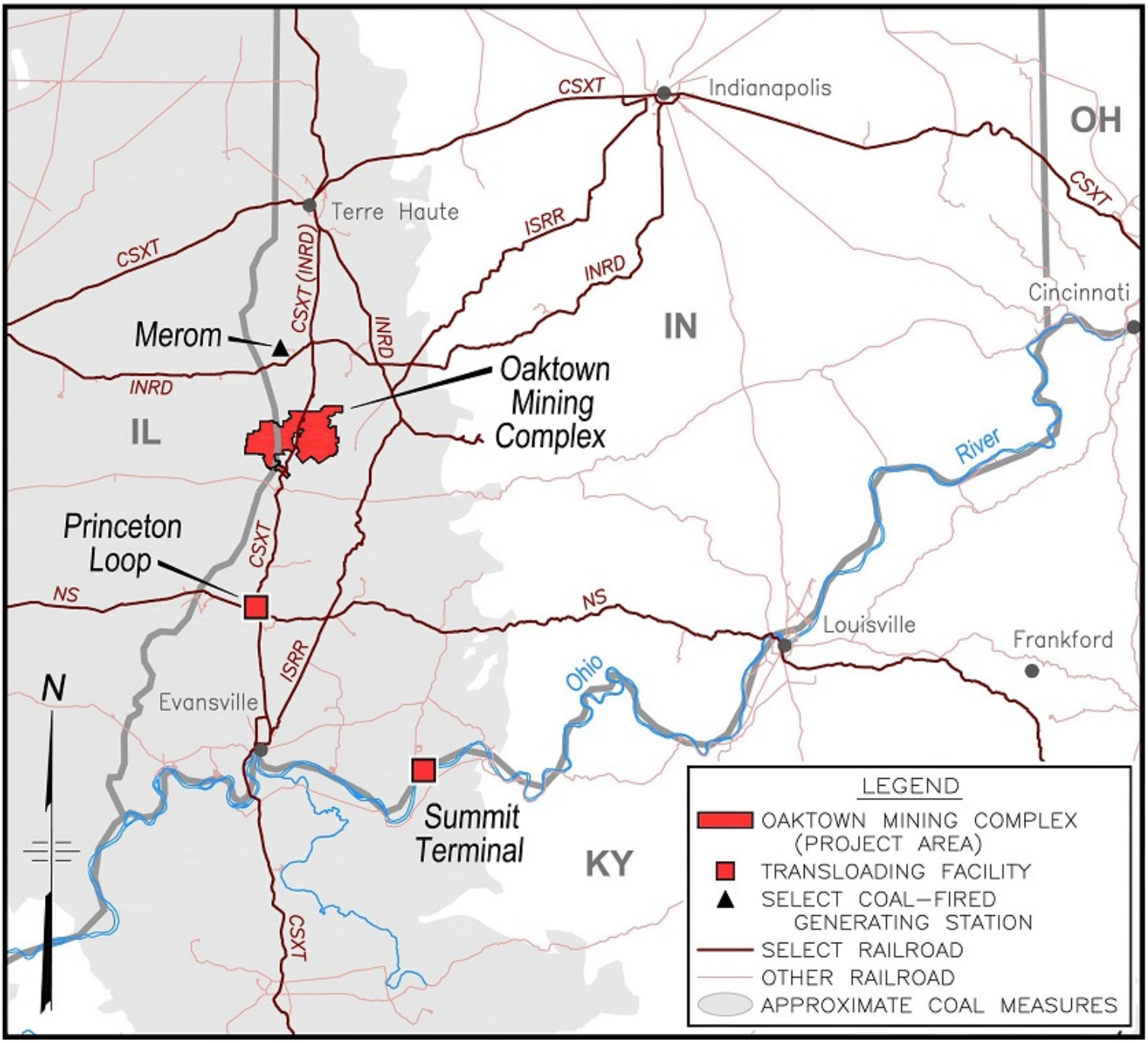
The following table provides a summary of all of the Company's mineral reserves determined by the John T. Boyd Company as of the end of the fiscal year ended December 31, 2021:

SUMMARY MINERAL RESERVES AT END OF THE FISCAL YEAR ENDED DECEMBER 31, 2021

	Mineral Reserves (tons in millions)		
	Proven	**Probable**	**Total**
Oaktown Mining Complex			
Oaktown Fuels No. 1 Mine	40.1	0.4	40.5
Oaktown Fuels No. 2 Mine	29.7	1.2	30.9
Total	69.8	1.6	71.4

Oaktown Mining Complex

The Oaktown Mining Complex is a coal mining and processing operation located in Knox and Sullivan counties, Indiana, and Crawford and Lawrence counties, Illinois. The following figure shows the general location of the Oaktown Mining Complex:



Comprising 118 square miles within the ILB coal-producing region of the mid-western United States, the Oaktown Mining Complex is one of the largest underground Room-and-Pillar (R&P) coal mining complexes in North America. The Oaktown Mining Complex operations currently consist of two active underground mines - Oaktown Fuels No. 1 Mine and Oaktown Fuels No. 2 Mine - and related infrastructure. Geographically, the Oaktown Complex Coal Preparation Plant is located at approximately 28°51'24.7" N latitude and 87°25'30.9" W longitude. Within the Oaktown Mining Complex area and immediate vicinity, our Company controls approximately 75,000 acres of mineral rights. This control exists as a complex collection of leases that apply to more than 2,000 tracts. Each of which range from less than an acre to several hundred acres in size. Ownership of the surface rights and the mineral rights is often severed for the properties and the estates are often fractions, in which mineral rights are split between several owners. The Company and its predecessors have acquired the necessary rights to support development and operations through purchase or lease agreements with predominately private owners or entities. As part of the Oaktown Mining Complex, the Company controls surface rights through fee simple ownership for over 1,700 permitted acres. Upon those acres resides the surface facilities for mine accesses, processing, storing, shipping, and refuse disposal facilities (i.e., refuse impoundment site and fine refuse injection sites). Our involvement with the Oaktown Mining Complex dates to 2014 with the acquisition of Oaktown Fuels No. 1 and No. 2 Mines from Vectren Fuels.

Each mine of the Oaktown Mining Complex utilizes R&P mining (employing Continuous Miners [CM]) for primary production. This mining method is highly productive and commercially demonstrated; it has been one of the primary approaches to underground mining the Indiana V Seam for decades. Oaktown Mining Complex has utilized this mining method since the inception of each operation. To date, Oaktown Mining Complex has produced a combined 58.3 million tons of clean coal. The complex is configured to operate up to 7 CM sections, with an annual production target of approximately 6-7 million product tons. The Oaktown Complex Coal Preparation Plant serves as the coal washing and shipment facility for the Oaktown Mining Complex's two R&P mines. The plant was commissioned in 2009 to wash coal by the Oaktown Fuels No. 1 Mine. The Oaktown Complex Coal Preparation Plant has a current processing capacity of 1,600 raw tons-per-hour (TPH). Product coal from the Oaktown Mining Complex is transported to its customer base via rail, truck, or a combination of both. The Oaktown Complex Coal Preparation Plant is served by both the CSX Railroad and Indiana Railroad (INRD) via a rail spur and rail loop that connects the complex with the mainline rail just north of Oaktown, Indiana.

Additionally, the Oaktown Complex Coal Preparation Plant can facilitate the loading of trucks for direct transport to select customers, or to our transload facility in Princeton, Indiana serviced by the Norfolk Southern (NS) Railroad.

Sources of electrical power, water, supplies, and materials are readily available. Electrical power is provided to the mines and facilities by regional utility companies. Water is supplied by public water services, surface impoundments, or water wells.

Multiple permits are required by federal and state law for underground mining, coal preparation and related facilities, and other incidental activities. All necessary permits to support current operations are in place or pending approval. New permits or permit revisions may be necessary from time to time to facilitate future operations. Given sufficient time and planning, we should be able to secure new permits, as required, to maintain our planned operations within the context of the current regulations.

Permits generally require that the Company post a performance bond in an amount established by the regulator program to: (1) provide assurance that any disturbance or liability created during mining operation is properly mitigated, and (2) assure that all regulation requirements of the permit are fully satisfied. We hold surety bonds to cover obligations relating to mining and reclamation, road repair, etc. Those obligations are currently estimated at $5.8 million.

Additional information is provided in the following table regarding the Oaktown Mining Complex mineral reserves:

OAKTOWN MINING COMPLEX
Recoverable Coal Reserves as of December 31, 2021 and 2020

Mine/Reserve	As Received Heat Value (Btu/lb) Approximate	As Received SO2 Content (lbs/MMBtu) Approximate	Owned (%)	Leased (%)	Recoverable Coal Reserves (As-Received) Proven	Probable	12/31/2021	12/31/2020
Oaktown Mining Complex								
Oaktown Fuels No. 1 Mine	11,519	6.0	—	100.0	40.1	0.4	40.5	45.3
Oaktown Fuels No. 2 Mine	11,540	5.6	—	100.0	29.7	1.2	30.9	34.9
Total Recoverable Coal Reserves					69.8	1.6	71.4	80.2

Oaktown Fuels No. 1 Mine

The assigned and accessible reserve base for the Oaktown Fuels No. 1 Mine contains 40.5 million tons of recoverable Indiana V seam coal, of which 40.5 million tons are currently permitted. The reserve contains saleable tons which average heating content of approximately 11,519 Btu per pound with approximately 6.0 pounds of sulfur dioxide per MMBtu on an as-received basis. Access to the Oaktown Fuels No. 1 Mine is via a 90-foot-deep box cut and a 2,200-foot slope, which facilitates the egress of coals being mined in excess of 375 feet below the surface. Since beginning first commercial coal production in 2009, the mine workings have substantially grown, and an additional mine access (elevator) was constructed for employee and supply ingress/egress closer to the active production faces.

Oaktown Fuels No. 2 Mine

The assigned and accessible reserve base for the Oaktown Fuels No. 2 Mine contains 30.9 million tons of recoverable Indiana V seam coal, of which 25.6 million tons are currently permitted. The reserve contains saleable tons which average heating content of approximately 11,540 Btu per pound with approximately 5.6 pounds of sulfur dioxide per MMBtu on an as-received basis. Access to the Oaktown Fuels No. 2 Mine is via an 80-foot-deep box cut and 2,600-foot slope, which facilitates the egress of coals being mined in excess of 400 feet below the surface. Since beginning first commercial coal production in 2013 the mines workings have substantially grown and, during 2021, an additional mine access (elevator) has been constructed for employee and supply ingress/egress closer to the active production faces.

Historical production for our Oaktown Mining Complex during the years ended December 31, 2021, 2020, and 2019 is provided in the following table:

	Annual Saleable Production Tons (Million Tons)		
Mine/Reserve	**2021**	**2020**	**2019**
Oaktown Mining Complex			
Oaktown Fuels No. 1 Mine	3.5	3.4	4.2
Oaktown Fuels No. 2 Mine	2.1	1.8	2.3
Total Oaktown Mining Complex Production	5.6	5.2	6.5

Other Properties

The Company holds other recoverable coal reserves in the ILB, which are not deemed individually material.

Ace in the Hole Mine (Ace) (surface) – Assigned

We have 0.05 million controlled, saleable tons at our Ace mine. The Ace mine is near Clay City, Indiana in Clay County and 50 road miles northeast of the Oaktown Mine. The two primary seams are low sulfur coal (~2# SO2), which make up the vast majority of the tons controlled. Mine development began in late December 2012, and we began shipping coal in late August 2013. We truck low sulfur coal from Ace to Oaktown toblend with high sulfur coal. Many utilities in the southeastern U.S. have scrubbers with lower sulfur limits (4.5# SO2) which cannot accept the higher sulfur contents of the ILB (4.5# - 6.5# SO2). Blending high sulfur coal to a lower sulfur specification enables us to market our high sulfur coals to more customers.

The Ace mine is a multi-seam open pit strip mine. The majority of the seams are sold raw, but some of the seams will be washed prior to sales, depending on quality. To convert the tons sold raw, the in-place tonnage is multiplied by a pit recovery of 95% based on seam thickness. To convert the tons sold washed, the in-place tonnage is multiplied by a pit recovery based on seam thickness then reduced by the projected wash plant recovery of 78% to 100% depending on the seam.

We will complete mining operations at Ace in the Hole Mine in 2022.

Ace in the Hole Mine #2 Reserves (surface) – Unassigned

In 2018, we leased property giving us 1.0 million controlled, saleable tons at a new location 2 miles southwest of our Ace in the Hole mine. Future mine development is being reviewed along with other opportunities.

Asset Impairment Review

See Note 2 to our consolidated financial statements.

Our Coal Contracts

In 2021, Sunrise sold 6.2 million tons of coal to 14 power plants in four different states across nine different customers.

During 2021, we derived 95% of our revenue from five customers (10 power plants), with each of the five customers representing at least 10% of our coal sales. During 2020, we derived 79% of our revenue from four customers (6 power plants), with each of the four customers representing at least 10% of our coal sales.

Significant customers in 2021 include Vectren Corporation, a wholly-owned subsidiary of CenterPoint Energy (NYSE: CNP), Orlando Utility Commission (OUC), Alcoa Power Generating, Inc., a subsidiary of Alcoa Corporation (NYSE: AA), Indianapolis Power & Light Company (IPL), a wholly-owned subsidiary of The AES Corporation (NYSE: AES), and Duke Energy Corporation (NYSE: DUK).

Of our 2021 sales, 73% were shipped to locations in the State of Indiana.

Upon closing the purchase of the Merom Power Plant, we anticipate Hallador Power Company consuming 45% of Sunrise Coal's production by 2024.

In Q4 2021, customer coal inventories and natural gas (a competitor to coal) inventory levels were both lower than normal. Customers returned to market this year, and we are increasing production to meet the increasing demand. We are increasing production to 7 million clean tons annually starting in 2022 and expect to maintain that pace into the foreseeable future.

Year	Contracted tons (millions)*	Estimated price per ton
2022	6.8	$ 39.81
2023	5.3	$ 43.10
2024 - 2027	6.3	**
Total	18.4	

* Contracted tons are subject to adjustment in instances of force majeure and exercise of customer options to either take additional tons or reduce tonnage if such option exists in the customer contract.

** Unpriced or partially priced tons

Of significant note, both the reopening of the economy post Covid-19 related lockdowns and the supply disruption created by the conflict between Russia and Ukraine have significantly increased demand for U.S. steam coal. This has led to higher pricing both for coal and electricity. All of our 2022 coal and electricity supply is priced, but we anticipate participating in higher coal and electricity prices in 2023.

We expect to continue selling a significant portion of our coal under supply agreements with terms of one year or longer. Typically, customers enter into coal supply agreements to secure reliable sources of coal at predictable prices while we seek stable sources of revenue to support the investments required to open, expand and maintain, or improve productivity at the mines needed to supply these contracts. The terms of coal supply agreements result from competitive bidding and extensive negotiations with customers.

Some utility customers have proposed shuttering certain plant units or entire plants in the coming years. It remains to be seen whether these plans will be implemented. Upon completion of the acquisition of the Merom Power Plant from Hoosier Energy, we anticipate our mines will need to produce at a 7 million-ton annualized pace for several years.

Liquidity and Capital Resources

As set forth in our Consolidated Statements of Cash Flows, cash provided by operations was $48.0 million and $52.6 million for the years ended December 31, 2021 and 2020 respectively. Operating cash flow decreased primarily due to a reduction in operating margins brought on by lower pricing and increased costs. Operating margin per ton decreased in 2021 to $7.35/ton from $9.49/ton in 2020, reducing operating cash flow by $11.3 million. This reduction was offset by changes in certain working capital items, specifically our significant inventory reduction from 2020.

Our capital expenditure budget for 2022 is $25 million, of which $15 million is for maintenance capex. We also have scheduled payments on long-term debt totaling $25.7 million. We expect cash from operations for 2022 and the utilization of our revolver, if necessary, to fund our maintenance capital expenditures and our debt service.

In 4Q21, we generated lower than expected EBITDA due to elevated cash costs related to: i) a temporary decrease in efficiency, as new hires were integrated into the workforce to support more shifts required to fulfill the significant increase in contracted tonnage, and ii) a lower yield on coal mined due to mining of a coal face ~10.5 miles away from the slope. We amended our bank agreement in March 2022 to provide covenant relief to maintain our liquidity levels as costs are anticipated to improve in 2022.

See Note 5 to our consolidated financial statements for additional discussion about our bank debt and related liquidity.

Off-Balance Sheet Arrangements

Other than our surety bonds for reclamation, we have no material off-balance sheet arrangements. We have recorded reclamation obligations of $14.1 million, with the long-term portion presented as asset retirement obligations (ARO) and the remainder in accounts payable and accrued liabilities in our accompanying balance sheets. In the event we are not able to perform reclamation, we have surety bonds in place totaling $23.5 million to cover ARO.

Capital Expenditures (capex)

For the year ended December 31, 2021, our capex was $28.1 million allocated as follows (in millions):

Oaktown – maintenance capex	$	9.0
Oaktown – investment		19.0
Other		0.1
Capex per the Consolidated Statements of Cash Flows	$	28.1

Results of Operations

I. 2021 Net Loss of $3.8 million.

a. **Sales:** We shipped 6.2 million tons during 2021, an increase over the 6.0 million tons shipped in 2020.

i. Coal inventory was reduced by $17.0 million during the year.

b. **Production:** 2021 production costs were $32.16/ton. 2020 costs were slightly better at $31.07/ton. Oaktown costs over that same period were $30.34 and $29.84, respectively.

i. In November 2021, we completed construction and put into service an employee and supply hoist closer to the operating face reducing travel time and related labor costs.

ii. We experienced supply chain disruptions with some vendors, causing us to pay premium prices for some of our inputs. We expect these increases to dissipate throughout 2022.

c. **Cash Flow & Debt:** We generated $48.0 million in operating cash flow during the year, which we utilized to pay down our bank debt by $26.0 million. The Small Business Administration notified us in the third quarter of 2021 that the entire $10 million borrowed under the Paycheck Protection Program had been completely forgiven.

i. As of December 31, 2021, our bank debt was $111.7 million, bringing our liquidity to $33.4 million and our leverage ratio to 2.34X, within our covenant of 3.0X.

The following tables presenting our quarterly results of operations should be read in conjunction with the consolidated financial statements and related notes included in Item 8 of this Form 10-K. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. Our operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year. The tables present our unaudited quarterly results of operations for the eight quarters ended December 31, 2021, and include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair presentation of our consolidated operating results for the quarters presented.

	Mar-31 2021	Jun-30 2021	Sep-30 2021	Dec-31 2021	Total 2021
SALES AND OPERATING REVENUES:					
Coal sales	$ 45,879	$ 54,600	$ 79,036	$ 64,388	$ 243,903
Other revenues	816	1,038	786	1,123	3,763
Total revenue	46,695	55,638	79,822	65,511	247,666
EXPENSES:					
Operating expenses	34,009	42,456	67,792	54,583	198,840
Depreciation, depletion and amortization	10,307	9,715	9,842	10,109	39,973
Asset impairment	—	—	—	1,588	1,588
Asset retirement obligations accretion	363	373	380	388	1,504
Asset retirement obligations change in estimate	—	—	—	(3,510)	(3,510)
Exploration costs	58	159	96	169	482
General and administrative	2,821	3,383	3,067	5,562	14,833
Total operating expenses	47,558	56,086	81,177	68,889	253,710
LOSS FROM OPERATIONS	(863)	(448)	(1,355)	(3,378)	(6,044)
Bank interest	(2,135)	(2,307)	(2,167)	(1,901)	(8,510)
Non-cash interest	237	125	59	41	462
Gain on extinguishment of debt	—	—	10,000	—	10,000
Equity method investment income	—	63	90	211	364
INCOME (LOSS) BEFORE INCOME TAXES	(2,761)	(2,567)	6,627	(5,027)	(3,728)
INCOME TAX EXPENSE (BENEFIT):					
Current	—	—	—	—	—
Deferred	(1,729)	397	(1,359)	2,717	26
Total income tax expense (benefit)	(1,729)	397	(1,359)	2,717	26
NET INCOME (LOSS)	$ (1,032)	$ (2,964)	$ 7,986	$ (7,744)	$ (3,754)
NET INCOME (LOSS) PER SHARE:					
Basic and diluted	$ (0.03)	$ (0.10)	$ 0.26	$ (0.25)	$ (0.12)
WEIGHTED AVERAGE SHARES OUTSTANDING:					
Basic and diluted	30,611	30,613	30,613	30,618	30,614

	Mar-31 2020	Jun-30 2020	Sep-30 2020	Dec-31 2020	Total 2020
SALES AND OPERATING REVENUES:					
Coal sales	$ 61,932	$ 50,473	$ 64,754	$ 64,925	$ 242,084
Other revenues	551	377	493	736	2,157
Total revenue	62,483	50,850	65,247	65,661	244,241
EXPENSES:					
Operating expenses	48,469	36,165	46,570	54,753	185,957
Depreciation, depletion and amortization	10,627	10,217	9,315	9,485	39,644
Asset Impairment	—	—	1,799	—	1,799
Asset retirement obligations accretion	333	343	348	357	1,381
Exploration costs	253	208	174	133	768
General and administrative	2,978	2,678	3,131	2,807	11,594
Total operating expenses	62,660	49,611	61,337	67,535	241,143
INCOME (LOSS) FROM OPERATIONS	(177)	1,239	3,910	(1,874)	3,098
Bank interest	(2,654)	(2,842)	(2,714)	(2,443)	(10,653)
Non-cash interest	(3,060)	8	385	290	(2,377)
Equity method investment income (loss)	55	1,231	(119)	(113)	1,054
INCOME (LOSS) BEFORE INCOME TAXES	(5,836)	(364)	1,462	(4,140)	(8,878)
INCOME TAX EXPENSE (BENEFIT):					
Current	(524)	—	(74)	—	(598)
Deferred	(1,652)	(618)	(387)	597	(2,060)
Total income tax expense (benefit)	(2,176)	(618)	(461)	597	(2,658)
NET INCOME (LOSS)	$ (3,660)	$ 254	$ 1,923	$ (4,737)	$ (6,220)
NET INCOME (LOSS) PER SHARE:					
Basic and diluted	$ (0.12)	$ 0.01	$ 0.06	$ (0.15)	$ (0.20)
WEIGHTED AVERAGE SHARES OUTSTANDING:					
Basic and diluted	30,420	30,423	30,465	30,475	30,446

Quarterly coal sales and cost data follow (in 000's, except for per ton data and wash plant recovery percentage):

All Mines	1st 2021	2nd 2021	3rd 2021	4th 2021	T4Qs
Tons produced	1,592	1,292	1,440	1,447	5,771
Tons sold	1,174	1,403	2,042	1,554	6,173
Coal sales	$ 45,879	$ 54,600	$ 79,036	$ 64,388	$ 243,903
Average price/ton	$ 39.08	$ 38.92	$ 38.71	$ 41.43	$ 39.51
Wash plant recovery in %	74%	69%	73%	70%	
Operating costs	$ 33,907	$ 42,364	$ 67,694	$ 54,583	$ 198,548
Average cost/ton	$ 28.88	$ 30.20	$ 33.15	$ 35.12	$ 32.16
Margin	$ 11,972	$ 12,236	$ 11,342	$ 9,805	$ 45,355
Margin/ton	$ 10.20	$ 8.72	$ 5.55	$ 6.31	$ 7.35
Capex	$ 5,720	$ 5,117	$ 7,238	$ 9,975	$ 28,050
Maintenance capex	$ 2,343	$ 1,049	$ 2,324	$ 3,302	$ 9,018
Maintenance capex/ton	$ 2.00	$ 0.75	$ 1.14	$ 2.12	$ 1.46

All Mines	1st 2020	2nd 2020	3rd 2020	4th 2020	T4Qs
Tons produced	1,701	1,468	1,234	1,233	5,636
Tons sold	1,526	1,244	1,585	1,613	5,968
Coal sales	$ 61,932	$ 50,473	$ 64,754	$ 64,925	$ 242,084
Average price/ton	$ 40.58	$ 40.57	$ 40.85	$ 40.25	$ 40.56
Wash plant recovery in %	74%	76%	71%	68%	
Operating costs	$ 48,334	$ 36,001	$ 46,444	$ 54,640	$ 185,419
Average cost/ton	$ 31.67	$ 28.94	$ 29.30	$ 33.87	$ 31.07
Margin	$ 13,598	$ 14,472	$ 18,310	$ 10,285	$ 56,665
Margin/ton	$ 8.91	$ 11.63	$ 11.55	$ 6.38	$ 9.49
Capex	$ 5,999	$ 4,006	$ 3,995	$ 6,661	$ 20,661
Maintenance capex	$ 3,470	$ 2,578	$ 1,365	$ 2,342	$ 9,755
Maintenance capex/ton	$ 2.27	$ 2.07	$ 0.86	$ 1.45	$ 1.63

2021 v. 2020

For 2021, we sold 6,173,000 tons at an average price of $39.51/ton. For 2020, we sold 5,968,000 tons an average price of $40.56/ton. The decrease in average price per ton results from our changing contract mix caused by the expiration of contracts and the acquisition of new contracts. 2022 pricing is expected to be comparable to 2021 at approximately $40 per ton. 2023 pricing is expected to improve as we take advantage of the higher pricing environment and is projected at just over $43 per ton based on the current tons under contract.

Operating expenses for our coal mines averaged $32.16/ton and $31.07/ton for the years ended December 31, 2021 and 2020, respectively. Oaktown costs over the periods were $30.34 and $29.84, respectively. The majority of our production cost increase was a result of approaching the end of our Ace in the Hole Mine's reserve life. We anticipate the Ace reserve reaching its end in mid-2022 and being replaced with a new reserve. At Oaktown, we added 17% to our workforce as we begin to increase production from a 6.2 million-ton pace to over 7 million tons annually. It will take time and training for our new workforce to reach top efficiency and productivity. Additionally, as expected and announced, adding a new production unit required mining through challenging conditions during Q4 2021 and completed in Q1 2022. We expect operating costs for our coal mines to be elevated in Q1 2022, but to average $29-$31 per ton for the full year 2022.

Operating expenses associated with the idled Prosperity mine were $1.0 million for both years ended December 31, 2021 and 2020. We expect operating costs to be $1.0 million in 2022.

Other revenues increased $1.6 million in 2021. Coal storage contracts and deferral fees charged for tons carried over from 2020 account for $0.8 million. The remainder represents royalty income on owned minerals that we began collecting in mid-2020.

General and administrative expenses increased $3.2 million in 2021 as a result of increased legal and financing costs associated with the Merom Power Plant acquisition and other projects. We expect general and administrative expenses for 2022 to remain elevated at $13 - $14 million while we complete the Merom Power Plant acquisition.

Our Sunrise Coal employees and contractors totaled 797 at December 31, 2021, compared to 682 at December 31, 2020. As previously stated, the significant increase is due to increased demand for our coal going forward.

Signs of Improvement for the Coal Market

I. Natural Gas - Forward Nymex gas prices (a competitor to coal) average $5.11 for the remainder of 2022, $4.05 for 2023 and $3.51 for 2024. These gas prices cause coal plants to dispatch prior to gas especially in Indiana where ~80% of our coal is sold. Gas prices are significantly higher than recent history and should remain strong until additional production occurs.

II. Coal Exports - U.S. export prices are significantly higher than recent history due to energy shortfalls in Asia and Europe, resulting in very strong exports in comeing years.

a. API 4 (Asia)

2021: Mid $80s / tonne

2022: $202 / tonne

2023: $151 / tonne

2024: $106 / tonne

2025: $95 / tonne

b. API 2 (Europe)

2021: Mid $60s / tonne

2022: $228 / tonne

2023: $170 / tonne

2024: $116 / tonne

2025: $98 / tonne

III. Utility Coal Inventories - Coal inventories at power plants remain well below historical averages. As coal demand stays strong and coal supply is limited, inventories should remain low for the foreseeable future.

MSHA Reimbursements

Some of our legacy coal contracts allow us to pass on to our customers certain costs incurred resulting from changes in costs to comply with mandates issued by MSHA or other government agencies. After applying the provisions of ASU 2014-09, as of December 31, 2021, we do not consider unreimbursed costs from our customers related to these compliance matters to be material and have constrained such amounts and will recognize them when they can be estimated with reasonable certainty.

Income Taxes

Our effective tax rate (ETR) for 2021 was (1%) compared to 30% for 2020. The tax rate for the years ended December 31, 2021 and 2020 are not predictive of future tax rates. Our ETR differs from the statutory rate due to statutory depletion in excess of tax basis, PPP loan forgiveness, return to provision adjustments, and changes in the valuation allowance. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income (loss) before income taxes.

Critical Accounting Estimates

We believe that the estimates of our coal reserves, our interest rate swaps, our asset retirement obligation liabilities, our deferred tax accounts, and the estimates used in our impairment analysis are our only critical accounting estimates.

The reserve estimates are used in the depreciation, depletion and amortization calculations and in our internal cash flow projections. If these estimates turn out to be materially under or over-stated, our depreciation, depletion and amortization expense and impairment test may be affected.

The fair value of our interest rate swaps and asset retirement obligation liabilities is determined using a discounted future cash flow model based on the key assumption of anticipated future interest rates and related credit adjustment considerations.

We have analyzed our filing positions in all federal and state jurisdictions where we are required to file income tax returns, and all open tax years in these jurisdictions. We identified our federal tax return and our Indiana state tax return as “major” tax jurisdictions. We believe that our income tax filing positions and deductions would be sustained on audit and do not anticipate any adjustments that will result in a material change to our consolidated financial position

ITEM 8. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Hallador Energy Company

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Hallador Energy Company (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, cash flows, and stockholders' equity for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Asset Retirement Obligations

Critical Audit Matter Description

The Company's asset retirement obligations ("ARO") balance was $14.0 million as of December 31, 2021. As further described in Note 1, these AROs relate to obligations associated with the future retirement of long-lived assets including underground and surface mines, support facilities, refuse areas, and slurry ponds. The AROs are initially recognized at their estimated fair value at the time incurred and subsequently accreted to their estimated reclamation cost. The Company reviews the ARO balance at least annually and records revisions for permit changes, changes in estimated reclamation costs, and changes in the estimated timing of such costs.

We identified ARO as a critical audit matter as it includes significant judgments made by management as the estimated fair value is determined using a discounted cash flow technique requiring estimates including reclamation costs, credit-adjusted risk-free rates, inflation rates, market risk premiums, and an estimated reclamation date which includes an estimate of the life of the mine and permit and regulatory considerations. In turn, performing audit procedures and evaluating audit evidence obtained related to these significant estimates and judgments required a high degree of judgment and effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures performed to address this critical audit matter included the following, among others:

- We gained an understanding of the design of the controls over management's process to develop the estimates included in the ARO determination.
- Evaluated the methodology used by management in determining amount of the ARO.
- Compared certain assumptions to market data including credit-adjusted risk-free rates and inflation rates.
- Interviewed the Company's engineering specialists regarding the regulatory requirements and mine closure plans as well as the reclamation cost estimates and scope of the obligations.
- Evaluated the reclamation cost estimates by comparison to recent activity and historical amounts.
- We evaluated the adequacy of the Company's footnote disclosures in relation to AROs.

We have served as the Company's auditor since 2003.

/S/PLANTE & MORAN, PLLC

Denver, Colorado
March 28, 2022

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Hallador Energy Company
Consolidated Balance Sheets
As of December 31,
(in thousands)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,546	$ 8,041
Restricted cash	3,283	4,030
Accounts receivable	13,584	14,414
Inventory	7,699	24,663
Parts and supplies	10,015	8,903
Prepaid expenses	2,112	3,282
Total current assets	39,239	63,333
Property, plant and equipment:		
Land and mineral rights	115,837	115,853
Buildings and equipment	342,782	352,115
Mine development	112,575	93,635
Total property, plant and equipment	571,194	561,603
Less - accumulated depreciation, depletion and amortization	(268,370)	(252,245)
Total property, plant and equipment, net	302,824	309,358
Investment in Sunrise Energy	3,545	3,181
Other assets	8,372	8,258
Total assets	$ 353,980	$ 384,130
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of bank debt, net	$ 23,098	$ 34,311
Current portion of PPP note	—	5,490
Accounts payable and accrued liabilities	41,528	31,409
Total current liabilities	64,626	71,210
Long-term liabilities:		
Bank debt, net	84,667	97,307
PPP note	—	4,510
Deferred income taxes	2,850	2,824
Asset retirement obligations	14,025	16,177
Other	1,577	2,842
Total long-term liabilities	103,119	123,660
Total liabilities	167,745	194,870
Redeemable noncontrolling interests	4,000	4,000
Stockholders' equity:		
Preferred stock, $.10 par value, 10,000 shares authorized; none issued	—	—
Common stock, $.01 par value, 100,000 shares authorized; 30,785 and 30,610 issued and outstanding, respectively	308	306
Additional paid-in capital	104,126	103,399
Retained earnings	77,801	81,555
Total stockholders' equity	182,235	185,260
Total liabilities, redeemable noncontrolling interests, and stockholders' equity	$ 353,980	$ 384,130

See accompanying notes.

Hallador Energy Company
Consolidated Statements of Operations
For the years ended December 31,
(in thousands, except per share data)

	2021	2020
SALES AND OPERATING REVENUES:		
Coal sales	$ 243,903	$ 242,084
Other revenues	3,763	2,157
Total revenue	247,666	244,241
EXPENSES:		
Operating expenses	198,840	185,957
Depreciation, depletion and amortization	39,973	39,644
Asset impairment	1,588	1,799
Asset retirement obligations accretion	1,504	1,381
Asset retirement obligations change in estimate	(3,510)	—
Exploration costs	482	768
General and administrative	14,833	11,594
Total operating expenses	253,710	241,143
INCOME (LOSS) FROM OPERATIONS	(6,044)	3,098
Interest expense (1)	(8,048)	(13,030)
Gain on extinguishment of debt	10,000	—
Equity method investment income	364	1,054
LOSS BEFORE INCOME TAXES	(3,728)	(8,878)
INCOME TAX EXPENSE (BENEFIT):		
Current	—	(598)
Deferred	26	(2,060)
Total income tax expense (benefit)	26	(2,658)
NET LOSS	$ (3,754)	$ (6,220)
NET LOSS PER SHARE:		
Basic and diluted	$ (0.12)	$ (0.20)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic and diluted	30,614	30,446

(1) Bank interest	$ 8,510	$ 10,653
Non-cash interest:		
Change in interest rate swap valuation	(3,026)	68
Amortization of debt issuance costs	2,564	2,296
Other	—	13
Total non-cash interest	(462)	2,377
Total interest	$ 8,048	$ 13,030

See accompanying notes.

Hallador Energy Company
Consolidated Statements of Cash Flows
For the years ended December 31,
(in thousands)

	2021	2020
OPERATING ACTIVITIES:		
Net loss	$ (3,754)	$ (6,220)
Deferred income taxes	26	(2,060)
Equity income – Sunrise Energy	(364)	(1,054)
Cash distribution - Sunrise Energy	—	1,125
Depreciation, depletion and amortization	39,973	39,644
Asset impairment	1,588	1,799
Gain on extinguishment of debt	(10,000)	—
Loss on sale of assets	317	38
Unrealized gain on marketable securities	—	(14)
Change in fair value of interest rate swaps	(3,026)	68
Change in fair value of fuel hedge	(297)	322
Amortization of debt issuance costs	2,564	2,296
Asset retirement obligations accretion	1,504	1,381
Asset retirement obligations change in estimate	(3,510)	—
Stock-based compensation	1,004	1,211
Change in current assets and liabilities:		
Accounts receivable	830	11,166
Inventory	16,964	2,893
Parts and supplies	(1,112)	2,872
Prepaid income taxes	—	1,562
Prepaid expenses	(5,215)	—
Accounts payable and accrued liabilities	10,844	(1,405)
Other	(362)	(3,048)
Cash provided by operating activities	$ 47,974	$ 52,576

Hallador Energy Company
Consolidated Statements of Cash Flows
For the years ended December 31,
(in thousands)
(continued)

	2021	2020
INVESTING ACTIVITIES:		
Capital expenditures	$ (28,050)	$ (20,688)
Proceeds from sale of equipment	525	56
Proceeds from sale of marketable securities	—	2,310
Proceeds from maturities of certificates of deposit	—	245
Investment in Sunrise Energy	—	(113)
Cash used in investing activities	(27,525)	(18,190)
FINANCING ACTIVITIES:		
Payments on bank debt	(46,249)	(49,662)
Borrowings of bank debt	20,250	7,250
Proceeds from PPP note	—	10,000
Debt issuance costs	(418)	(1,903)
Taxes paid on vesting of RSUs	(274)	(75)
Dividends	—	(1,236)
Cash used in financing activities	(26,691)	(35,626)
Decrease in cash, cash equivalents, and restricted cash	(6,242)	(1,240)
Cash, cash equivalents, and restricted cash, beginning of year	12,071	13,311
Cash, cash equivalents, and restricted cash, end of year	$ 5,829	$ 12,071
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents	$ 2,546	$ 8,041
Restricted cash	3,283	4,030
	$ 5,829	$ 12,071
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 8,720	$ 10,971
SUPPLEMENTAL NON-CASH FLOW INFORMATION:		
Change in capital expenditures included in accounts payable and prepaid expenses	$ 8,520	$ 1,199

See accompanying notes.

Hallador Energy Company
Consolidated Statement of Stockholders' Equity
(in thousands)

	Common Stock Issued		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
BALANCE, DECEMBER 31, 2019	30,420	$ 304	$ 102,215	$ 89,011	$ 191,530
Stock-based compensation	—	—	1,211	—	1,211
Stock issued on vesting of RSUs	193	1	(1)	—	—
Taxes paid on vesting of RSUs	(80)	—	(75)	—	(75)
Dividends	—	—	—	(1,236)	(1,236)
Net loss	—	—	—	(6,220)	(6,220)
Other	77	1	49	—	50
BALANCE, DECEMBER 31, 2020	30,610	306	103,399	81,555	185,260
Stock-based compensation	—	—	1,004	—	1,004
Stock issued on vesting of RSUs	296	3	(3)	—	—
Taxes paid on vesting of RSUs	(121)	(1)	(274)	—	(275)
Net loss	—	—	—	(3,754)	(3,754)
BALANCE, DECEMBER 31, 2021	30,785	308	104,126	77,801	182,235

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of Hallador Energy Company (hereinafter known as, "we, us, or our") and its wholly owned subsidiaries Sunrise Coal, LLC (Sunrise) and Hourglass Sands, LLC (Hourglass), and Sunrise's wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Sunrise is engaged in the production of steam coal from mines located in western Indiana.

Going Concern - Alleviation of Substantial Doubt

In accordance with ASU 2014-15, *Presentation of Financial Statements- Going Concern* (Subtopic 205-40) – Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, we are required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that our financials are issued. When management identifies conditions or events that raise substantial doubt about their ability to continue as a going concern it should consider whether its plans to mitigate those relevant conditions or events will alleviate the substantial doubt. If conditions or events raise substantial doubt about an entity's ability to continue as a going concern, but the substantial doubt is alleviated as a result of management's plans, the entity should disclose information that enables user of financial statements to understand the principal events that raised the substantial doubt, management's evaluation of the significance of those conditions or events, and management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.

We performed the analysis, and our overall assessment was there were conditions or events, considered in the aggregate as of December 31, 2021, which raised substantial doubt about our ability to continue as a going concern within the next year, but such doubt was adequately mitigated by our plans to address the substantial doubt.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. During our analysis and overall assessment, it became clear that we were likely to violate one or more of our financial covenants due to a step down of our leverage ratio and a step up of our debt service coverage ratio beginning with quarter ending March 31, 2022 due to lower than expected EBITDA, a significant factor in the calculation of both ratios. This factor raised substantial doubt about the Company's ability to continue as a going concern.

In March 2022, as disclosed in Note 5, the Company executed an amendment to our credit agreement providing relief on the covenants in question until the time our internal projections show that we will again meet the covenants.

Accordingly, the above factors have alleviated substantial doubt about the entity's ability to continue as a going concern.

Segment Information

The Company's significant operating segment includes the two Oaktown underground mines located in southwestern Indiana. The Company's chief operating decision maker ("CODM") reviews the operating results, assesses performance and makes decisions about allocation of resources to this segment at the mine level, however, we aggregate the results of operations of the mines for reporting purposes since the nature of the product, production process, customer type, product distribution, and long-term economic characteristics at each mine are similar.

Allowance for Doubtful Accounts

The Company evaluates the need for an allowance for uncollectible receivables based on a review of account balances that are likely to be uncollectible, as determined by such variables as customer creditworthiness, the age of the receivables and disputed amounts. Historically, credit losses have been insignificant. At December 31, 2021 and 2020, no allowance was recorded for uncollectible accounts receivable as all amounts were deemed collectible.

Inventory

Inventory and parts and supplies are valued at the lower of average cost or net realizable value determined using the first-in first-out method. Inventory costs include labor, supplies, operating overhead, and other related costs incurred at or on behalf of the mining location, including depreciation, depletion, and amortization of equipment, buildings, mineral rights, and mine development costs.

Prepaid expenses

Prepaid expenses include prepaid insurance, prepaid maintenance expense, and a prepaid balance with our primary parts and supplies vendor.

Advanced Royalties

Coal leases that require minimum annual or advance payments and are recoverable from future production are generally deferred and charged to expense as the coal is subsequently produced. Advance royalties are included in other assets.

Mining Properties

Mining properties are recorded at cost. Interest costs applicable to major asset additions are capitalized during the construction period. Expenditures that extend

the useful lives or increase the productivity of the assets are capitalized. The cost of maintenance and repairs that do not extend the useful lives or increase the productivity of the assets are expensed as incurred. Other than land and most mining equipment, mining properties are depreciated using the units-of-production method over the estimated recoverable reserves. Most surface and underground mining equipment is depreciated using estimated useful lives ranging from three to twenty-five years.

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed for recoverability. If this review indicates that the carrying value of the asset will not be recoverable through estimated undiscounted future net cash flows related to the asset over its remaining life, then an impairment loss is recognized by reducing the carrying value of the asset to its estimated fair value. See Note 2 for further discussion of impairments.

Mine Development

Costs of developing new mines, including asset retirement obligation assets, or significantly expanding the capacity of existing mines, are capitalized and amortized using the units-of-production method over estimated recoverable reserves.

Asset Retirement Obligations (ARO) – Reclamation

At the time they are incurred, legal obligations associated with the retirement of long-lived assets are reflected at their estimated fair value, with a corresponding charge to mine development. Obligations are typically incurred when we commence development of underground and surface mines and include reclamation of support facilities, refuse areas and slurry ponds.

Obligations are reflected at the present value of their future cash flows. We reflect accretion of the obligations for the period from the date they are incurred through the date they are extinguished. The ARO assets are amortized using the units-of-production method over estimated recoverable (proven and probable) reserves. We are using credit-adjusted risk-free discount rates ranging from 5.0% to 10% to discount the obligation, inflation rates anticipated during the time to reclamation, and cost estimates prepared by our engineers inclusive of market risk premiums. Federal and state laws require that mines be reclaimed in accordance with specific standards and approved reclamation plans, as outlined in mining permits. Activities include reclamation of pit and support acreage at surface mines, sealing portals at underground mines, and reclamation of refuse areas and slurry ponds.

We review our ARO at least annually and reflect revisions for permit changes, changes in our estimated reclamation costs and changes in the estimated timing of such costs. The change in estimate was a result of a change in timing of expected reclamation of the Ace in the Hole Mine, Carlisle Mine, and Prosperity Mine and updates to inflation rates from when the liabilities were first projected. In the event we are not able to perform reclamation, we have surety bonds totaling $23.5 million to cover ARO.

The table below (in thousands) reflects the changes to our ARO:

	Year Ended December 31,	
	2021	2020
Balance, beginning of year	$ 16,277	$ 15,764
Accretion	1,504	1,381
Change in estimate	(3,510)	—
Payments	(146)	(868)
Balance, end of year	14,125	16,277
Less current portion	(100)	(100)
Long-term balance, end of year	$ 14,025	$ 16,177

Interest Rate Swaps

The Company generally utilizes derivative instruments to manage exposures to interest rate risk on long-term debt. The Company enters into interest rate swaps in order to achieve a mix of fixed and variable rate debt that it deems appropriate. These interest rate swaps have not been designated as hedging instruments and are accounted for as an asset or a liability in the accompanying Consolidated Balance Sheets at their fair value. Realized and unrealized gains and losses are classified as operating activities in the accompanying Consolidated Statements of Cash Flows.

Statement of Cash Flows

Cash equivalents include investments with maturities when purchased of three months or less.

Income Taxes

Income taxes are provided based on the liability method of accounting. The provision for income taxes is based on pretax financial income. Deferred tax assets and liabilities are recognized for the future expected tax consequences of temporary differences between income tax and financial reporting and principally relate to differences in the tax basis of assets and liabilities and their reported amounts, using enacted tax rates in effect for the year in which differences are expected to reverse.

Net Income (Loss) per Share

Basic net income (loss) per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period using the two-class method for our common shares and RSUs which share in the Company's earnings. Diluted net income (loss) per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include restricted stock units and are included in basic net income (loss) per share, using the two-class method.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates. The most significant estimates included in the preparation of the financial statements relate to: (i) deferred income tax accounts, (ii) coal reserves, (iii) depreciation, depletion, and amortization, (iv) estimates relating to interest rate swaps, (v) estimates used in our impairment analysis and measurement of impairments, and (vi) estimates used in the calculation of our asset retirement obligations.

Long-term Contracts

As of December 31, 2021, we are committed to supplying our customers up to a maximum of 20.7 million tons of coal through 2027 of which 16.2 million tons are priced.

For 2021, we derived 95% of our coal sales from five customers, each representing at least 10% of our coal sales. 99% of our accounts receivable was from five customers, each representing more than 10% of the December 31, 2021 balance.

For 2020, we derived 79% of our coal sales from four customers, each representing at least 10% of our coal sales. 87% of our accounts receivable was from four customers, each representing more than 10% of the December 31, 2020 balance.

Stock-based Compensation

Stock-based compensation for restricted stock units is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable vesting period of the stock award (generally two to four years) using the straight-line method.

(2) LONG-LIVED ASSET IMPAIRMENTS

Long-lived assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. The impact of COVID-19 is being monitored closely, but for the years ended December 31, 2021 and 2020, there were no material COVID-19 related impairment charges recorded for long-lived assets.

Prosperity Mine

We recorded an impairment of $1.6 million as of December 31, 2021 on assets consisting of the wash plant and rail facilities at the Prosperity Mine. The wash plant was torn down and the remaining rail was pulled up in the fourth quarter of 2021. We have estimated the scrap value to be $1.1 million on the carrying value of $2.7 million. The remaining scrap will be sold in 2022.

Hourglass Sands

We recorded an impairment of $2.9 million as of December 31, 2019, due to softness in the pricing of the frac sand market. The impairment included inventory, land, mine development, buildings and equipment and was determined using a market approach. The remaining fair market value of inventory, equipment, and buildings at Hourglass Sands was $1.9 million as of December 31, 2019. Due to the continued regression of the frac sand market, in August 2020, we ceased operations of the plant and recorded an impairment of $1.8 million in the third quarter of 2020, which included the remaining inventory and buildings and which was determined using a market approach.

(3) INVENTORY

Inventory is valued at lower of average cost or net realizable value (NRV). As of December 31, 2021, and December 31, 2020, coal inventory includes NRV adjustments of $3.8 million and $1.6 million, respectively.

(4) OTHER LONG-TERM ASSETS (IN THOUSANDS)

	December 31,	
	2021	2020
Advanced coal royalties	$ 6,678	$ 6,449
Other	1,694	1,809
Total other assets	$ 8,372	$ 8,258

(5) BANK DEBT

On April 15, 2020, we executed an amendment to our credit agreement with PNC, administrative agent for our lenders. The primary purposes of the amendment were to modify the allowable leverage ratio over the term of the loan to increase available liquidity. As a result of the amendment, our maximum annual capital expenditures are limited to $30 million for 2020 and $25 million for each year thereafter with carryover provisions of unused expenditures, and our dividend is suspended until our leverage ratio falls below 2.0X.

On March 25, 2022, we executed another amendment to our credit agreement with PNC to return the allowable leverage ratio and debt service coverage ratio to their December 31, 2021 levels through September 30, 2022, with the debt service coverage ratio waived for March 31, 2022.

During 2021, we reduced our bank debt by $26.0 million through net cash payments, which as of December 31, 2021, was $111.7 million. Bank debt is comprised of term debt ($31.2 million as of December 31, 2021) and a $120.0 million revolver ($80.5 million borrowed as of December 31, 2021). The term debt amortization concludes with the final payment in March 2023. The revolver matures September 2023. Our debt is recorded at amortized cost, which approximates fair value due to the variable interest rates in the agreement and is collateralized primarily by our assets.

Liquidity

As of December 31, 2021, we had additional borrowing capacity of $33.4 million under the revolver and total liquidity of $35.9 million. Our additional borrowing capacity is net of $5.7 million in outstanding letters of credit as of December 31, 2021 that were required to maintain surety bonds. Liquidity consists of our additional borrowing capacity and cash and cash equivalents.

Fees

Unamortized bank fees and other costs incurred in connection with the initial facility and subsequent amendments totaled $7.9 million as of our amendment in April 2020. Additional costs incurred with the April 15, 2020 amendment were $1.9 million. Additional fees of $0.4 million were incurred in May 2021, for a technical amendment related to our entry into the renewable power market. These costs were deferred and are being amortized over the term of the loan. Unamortized costs as of December 31, 2021 and 2020 were $4.0 million and $6.1 million, respectively.

Bank debt, less debt issuance costs, is presented below (in thousands):

	December 31,	
	2021	2020
Current bank debt	$ 25,725	$ 36,750
Less unamortized debt issuance cost	(2,627)	(2,439)
Net current portion	$ 23,098	$ 34,311
Long-term bank debt	$ 86,013	$ 100,988
Less unamortized debt issuance cost	(1,346)	(3,681)
Net long-term portion	$ 84,667	$ 97,307
Total bank debt	$ 111,738	$ 137,738
Less total unamortized debt issuance cost	(3,973)	(6,120)
Net bank debt	$ 107,765	$ 131,618

Covenants

The credit facility includes a Maximum Leverage Ratio (consolidated funded debt / trailing twelve months adjusted EBITDA), calculated as of the end of each fiscal quarter for the trailing twelve months, not to exceed the amounts below:

Fiscal Periods Ending	Ratio
December 31, 2021	3.00 to 1.00
March 31, 2022, and each fiscal quarter thereafter	2.50 to 1.00

As of December 31, 2021, our Leverage Ratio of 2.34 was in compliance with the requirements of the credit agreement.

The credit facility also requires a Minimum Debt Service Coverage Ratio (consolidated adjusted EBITDA / annual debt service) calculated as of the end of each fiscal quarter for the trailing *twelve* months of 1.05 to *1.00* through *December 31, 2021,* at which time it increases to 1.25 to *1.00* through the maturity of the credit facility.

As of December 31, 2021, our Debt Service Coverage Ratio of 1.11 was in compliance with the requirements of the credit agreement.

Interest Rate

The interest rate on the facility ranges from LIBOR plus 2.75% to LIBOR plus 4.00%, depending on our Leverage Ratio, with a LIBOR floor of 0.50%. We entered into swap agreements to fix the LIBOR component of the interest rate at 2.92% on the declining term loan balance and on $52.7 million of the revolver. At *December 31, 2021*, we are paying LIBOR at the swap rate of 2.92% plus 3.50% for a total interest rate of 6.42% on the hedged amount ($83.9 million) and 3.5% on the remainder ($27.8 million).

Future Maturities (in thousands):

2022	25,725
2023	86,013
Total	$ 111,738

Paycheck Protection Program

As previously reported in the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2020, we entered into a Paycheck Protection Program Promissory Note and Agreement on April 15, 2020, evidencing an unsecured $10 million loan (the “PPP Loan”) under the Paycheck Protection Program (or “PPP”) made through First Financial Bank, N.A., (the "Lender"). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (the “SBA”).

Under the terms of the CARES Act, PPP loan recipients can apply for forgiveness. The SBA can grant forgiveness of all, or a portion of, loans made under the PPP if the recipients use the PPP loan proceeds for eligible purposes, including payroll costs, mortgage interest, rent or utility costs, and meet other requirements regarding, among other things, the maintenance of employment and compensation levels. The Company used the PPP Loan proceeds for qualifying expenses and applied for the forgiveness of the PPP Loan in accordance with the terms of the CARES Act.

On July 23, 2021, we received a notification from the Lender that the SBA approved our PPP Loan forgiveness application for the entire PPP Loan balance of $10 million, together with interest accrued thereon. The Lender notified us that the forgiveness payment was received on July 26, 2021. The forgiveness of the PPP Loan is recognized as other income.

The SBA retains the right to review the Company's loan file for a period subsequent to the date the loan is forgiven, with the potential for the SBA to pursue legal remedies at its discretion.

At December 31, 2020, the PPP loan totaling $10 million is presented as current and long-term liabilities on the condensed consolidated balance sheets based upon the schedule of repayments and excluding any possible forgiveness of the loan.

(6) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (IN THOUSANDS)

	December 31,	
	2021	2020
Accounts payable	$ 27,835	$ 14,785
Accrued property taxes	2,529	2,566
Accrued payroll	2,413	1,621
Workers' compensation reserve	2,560	2,988
Group health insurance	1,800	1,800
Fair value of interest rate swaps	867	2,793
Other	3,524	4,856
Total accounts payable and accrued liabilities	$ 41,528	$ 31,409

(7) REVENUE

Revenue from Contracts with Customers

We account for a contract with a customer when the parties have approved the contract and are committed to performing their respective obligations, the rights of each party are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. We recognize revenue when we satisfy a performance obligation by transferring control of a good or service to a customer. We utilize the normal purchase normal sales exception for all long-term sales contracts.

Our revenue is derived from sales to customers of coal produced at our facilities. Our customers purchase coal directly from our mine sites and our Princeton Loop, where the sale occurs and where title, risk of loss, and control typically pass to the customer at that point. Our customers arrange for and bear the costs of transporting their coal from our mines to their plants or other specified discharge points. Our customers are typically domestic utility companies. Our coal sales agreements with our customers are fixed-priced, fixed-volume supply contracts, or include a predetermined escalation in price for each year. Price re-opener and index provisions may allow either party to commence a renegotiation of the contract price at a pre-determined time. Price re-opener provisions may automatically set a new price based on prevailing market price or, in some instances, require us to negotiate a new price, sometimes within specified ranges of prices. The terms of our coal sales agreements result from competitive bidding and extensive negotiations with customers. Consequently, the terms of these contracts vary by customer.

Coal sales agreements will typically contain coal quality specifications. With coal quality specifications in place, the raw coal sold by us to the customer at the delivery point must be substantially free of magnetic material and other foreign material impurities and crushed to a maximum size as set forth in the respective coal sales agreement. Price adjustments are made and billed in the month the coal sale was recognized based on quality standards that are specified in the coal sales agreement, such as Btu factor, moisture, ash, and sulfur content and can result in either increases or decreases in the value of the coal shipped.

Disaggregation of Revenue

Revenue is disaggregated by primary geographic markets, as we believe this best depicts how the nature, amount, timing, and uncertainty of our revenue and cash flows are affected by economic factors. 73% and 74% of our coal revenue for the years ended December 31, 2021 and 2020, respectively, was sold to customers in the State of Indiana with the remainder sold to customers in Florida, North Carolina, Kentucky, Georgia, South Carolina, and Tennessee.

Performance Obligations

A performance obligation is a promise in a contract with a customer to provide distinct goods or services. Performance obligations are the unit of account for purposes of applying the revenue recognition standard and therefore determine when and how revenue is recognized. In most of our contracts, the customer contracts with us to provide coal that meets certain quality criteria. We consider each ton of coal a separate performance obligation and allocate the transaction price based on the base price per the contract, increased or decreased for quality adjustments.

We recognize revenue at a point in time as the customer does not have control over the asset at any point during the fulfillment of the contract. For substantially all of our customers, this is supported by the fact that title and risk of loss transfer to the customer upon loading of the truck or railcar at the mine. This is also the point at which physical possession of the coal transfers to the customer, as well as the right to receive substantially all benefits and the risk of loss in ownership of the coal.

We have remaining performance obligations relating to fixed priced contracts of approximately $588 million, which represent the average fixed prices on our committed contracts as of December 31, 2021. We expect to recognize approximately 85% of this revenue in 2022 and 2023, with the remainder recognized thereafter.

We have remaining performance obligations relating to contracts with price reopeners of approximately $166 million, which represents our estimate of the expected re-opener price on committed contracts as of December 31, 2021. We expect to recognize all of this revenue beginning in 2024.

The tons used to determine the remaining performance obligations are subject to adjustment in instances of force majeure and exercise of customer options to either take additional tons or reduce tonnage if such option exists in the customer contract.

Contract Balances

Under ASC 606, the timing of when a performance obligation is satisfied can affect the presentation of accounts receivable, contract assets, and contract liabilities. The main distinction between accounts receivable and contract assets is whether consideration is conditional on something other than the passage of time. A receivable is an entity's right to consideration that is unconditional. Under the typical payment terms of our contracts with customers, the customer pays us a base price for the coal, increased or decreased for any quality adjustments. Amounts billed and due are recorded as trade accounts receivable and included in accounts receivable in our consolidated balance sheets. As of January 1, 2020, accounts receivable for coal sales billed to customers was $14.4 million. We do not currently have any contracts in place where we would transfer coal in advance of knowing the final price of the coal sold, and thus do not have any contract assets recorded. Contract liabilities arise when consideration is received in advance of performance.

(8) INCOME TAXES

Our income tax is different than the expected amount computed using the applicable federal statutory income tax rate of 21%. The reasons for and effects of such differences for the years ended December 31 are below (in thousands):

	2021	2020
Expected amount	$ (783)	$ (1,865)
State income taxes, net of federal benefit	(767)	(644)
Percentage depletion	(1,725)	(2,154)
Valuation allowance	3,376	1,275
Stock-based compensation	380	67
PPP loan forgiveness	(2,100)	—
Return to provision adjustments	1,610	(60)
Other	35	723
	$ 26	$ (2,658)

The deferred tax assets and liabilities resulting from temporary differences between book and tax basis are comprised of the following at December 31 (in thousands):

	2021	2020
Deferred tax assets:		
Net operating loss	$ 32,659	$ 24,081
Valuation allowance	(4,651)	(1,275)
Capital loss carryforward	—	525
Stock-based compensation	—	179
Other	—	234
Total deferred tax assets	28,008	23,744
Deferred tax liabilities:		
Coal properties	(30,368)	(26,171)
Investment in partnerships	(484)	(397)
Other	(6)	—
Total deferred tax liabilities	(30,858)	(26,568)
Net deferred tax liability	$ (2,850)	$ (2,824)

Our effective tax rate (ETR) for 2021 was (1%) compared to 30% for 2020. The tax rate for the years ended December 31, 2021 and 2020 are not predictive of future tax rates. Our ETR differs from the statutory rate due to statutory depletion in excess of tax basis, PPP loan forgiveness, return to provision adjustments, and changes in the valuation allowance. The deduction for statutory depletion does not necessarily change proportionately to changes in income before income taxes.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. We believe that it is more likely than not that the benefit from certain federal and state NOL carryforwards will not be realized. In recognition of this, we have provided a valuation allowance of $4.7 million and $1.3 on the deferred tax assets related to these state NOL carryforwards as of December 31, 2021 and 2020, respectively.

We have analyzed our filing positions in all of the federal and state jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions, to determine whether the positions will be more likely than not be sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are not recorded as a tax benefit or expense in the current year. We identified our federal tax return and our Indiana state tax return as “major” tax jurisdictions. We believe that our income tax filing positions and deduction will be sustained on audit and do not anticipate any adjustments that will result in a material change to our consolidated financial position. While not material, we record any penalties and interest as general and administrative expense. Tax returns filed with the IRS and state entities generally remain subject to examination for three years after filing.

At December 31, 2021, we had approximately $125 million and $158 million of federal and Indiana net operating loss carryforwards (“NOLs”), respectively. These NOLs are available to offset future taxable income. Federal NOLs generated in 2017 and prior years have a carryforward period of 20 years while those generated in 2018 and future years carryforward indefinitely. The federal NOLs generated in pre-2018 years of $56 million can offset 100% of the current years' taxable income. The federal NOLs generated in post 2017 years of $69 million can offset 80% of current years' taxable income. The pre-2018 federal NOLs will expire in varying amounts from 2035 to 2037 if they are not utilized. Indiana NOLs have a 20-year carryforward period and will expire in the years 2034 to 2041 if they are not utilized.

(9) STOCK COMPENSATION PLANS

Restricted Stock Units (RSUs)

The table below shows the number of RSUs available for issuance at December 31, 2021:

Total authorized RSUs in Plan approved by shareholders	4,850,000
Stock issued out of the Plan from vested grants	(3,265,829)
Non-vested grants	(183,000)
RSUs available for future issuance	1,401,171

Non-vested grants at December 31, 2019	488,500
Granted – weighted average share price on grant date was $.90	40,000
Vested – weighted average share price on vesting date was $.92	(193,250)
Forfeited	(11,000)
Non-vested grants at December 31, 2020	324,250
Granted – weighted average share price on grant date was $2.46.	173,000
Vested – weighted average share price on vesting date was $2.27.	(296,250)
Forfeited	(18,000)
Non-vested grants at December 31, 2021	183,000

RSU Vesting Schedule

Vesting Year	RSUs Vesting
2023	183,000

Vested shares had a value of $0.7 million for 2021, and $0.2 million for 2020, on their vesting dates. Under our RSU plan, participants are allowed to relinquish shares to pay for their required statutory income taxes.

The outstanding RSUs have a value of $0.7 million based on the March 21, 2022 closing stock price of $3.74.

For the years ended December 31, 2021 and 2020 stock-based compensation was $1.0 million and $1.2 million, respectively. For 2022 and 2023, based on existing RSUs outstanding, stock-based compensation expense is estimated to be $0.2 million each year.

Stock Options

We have no stock options outstanding.

Stock Bonus Plan

Our stock bonus plan was authorized in late 2009 with 250,000 shares. Currently, we have 86,383 shares available for future issuance.

(10) EMPLOYEE BENEFITS

We have no defined benefit pension plans or post-retirement benefit plans. We offer our employees a 401(k) Plan, where we match 100% of the first 4% that an employee contributes and a discretionary Deferred Bonus Plan for certain key employees. We also offer health benefits to all employees and their families. We have 2,274 participants in our employee health plan. The plan does not cover dental, vision, short-term or long-term disability. These coverages are available on a voluntary basis. We bear some of the risk of our employee health plans. Our health claims are capped at $200,000 per person with a maximum annual exposure of $16.6 million not including premiums.

Our employee benefit expenses for the years ended December 31 are below (in thousands):

	2021	2020
Health benefits, including premiums	$ 13,084	$ 13,173
401(k) matching	1,946	1,797
Deferred bonus plan	698	679
Total	$ 15,728	$ 15,649

Of the amounts in the above table, $15.2 million and $15.0 million are recorded in operating costs and expenses for 2021 and 2020, respectively with the remainder in SG&A.

Our mine employees are also covered by workers' compensation and such costs for 2021 and 2020, were approximately $2.9 million and $1.9 million, respectively, and are recorded in operating costs and expenses. Workers' compensation is a no-fault system by which individuals who sustain work-related injuries or occupational diseases are compensated. Benefits and coverage are mandated by each state which includes disability ratings, medical claims, rehabilitation services, and death and survivor benefits. We are partially self-insured for such claims, however, our operations are protected from these perils through stop-loss insurance policies. Our maximum annual exposure is limited to $1 million per occurrence with a $4 million aggregate deductible. Based on discussions and representations from our insurance carrier, we believe that our reserve for our workers' compensation benefits is adequate.

(11) LEASES

We have operating leases for office space and processing facilities with remaining lease terms ranging from less than one year to approximately five years. As most of the leases do not provide an implicit rate, we calculated the right-of-use assets and lease liabilities using our secured incremental borrowing rate at the lease commencement date. We currently do not have any finance leases outstanding.

Information related to leases was as follows as of December 31 (in thousands):

	2021
Operating lease information:	
Operating cash outflows from operating leases	$ 199
Weighted average remaining lease term in years	2.21
Weighted average discount rate	6.0%

Future minimum lease payments under non-cancellable leases as of December 31, 2021 were as follows (in thousands):

Year	Amount
2022	$ 207
2023	174
2024	60
Total minimum lease payments	$ 441
Less imputed interest	(17)
Total operating lease liability	$ 424
As reflected on balance sheet:	
Other long-term liabilities	$ 424

At December 31, 2021, we had approximately $424,000 right-of-use operating lease assets recorded within "buildings and equipment" on the Consolidated Balance Sheet.

(12) SELF INSURANCE

We self-insure our underground mining equipment. Such equipment is allocated among seven mining units dispersed over 10 miles. The historical cost of such equipment was approximately $260 million and $269 million as of December 31, 2021 and December 31, 2020, respectively.

Restricted cash of $3.3 million and $4.0 million as of December 31, 2021, and December 31, 2020, respectively, represents cash held and controlled by a third party and is restricted for future workers' compensation claim payments.

(13) NET LOSS PER SHARE

We compute net loss per share using the two-class method, which is an allocation formula that determines net loss per share for common stock and participating securities, which for us are our outstanding RSUs.

The following table (in thousands, except per share amounts) sets forth the computation of net loss per share:

	Year Ended December 31, 2021	2020
Numerator:		
Net loss	$ (3,754)	$ (6,220)
Less loss allocated to RSUs	35	94
Net loss allocated to common shareholders	$ (3,719)	$ (6,126)
Denominator:		
Weighted average number of common shares outstanding	30,614	30,446
Net loss per share:		
Basic and diluted	$ (0.12)	$ (0.20)

(14) FAIR VALUE MEASUREMENTS

We account for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Our marketable securities are Level 1 instruments.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. We have no Level 2 instruments.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). Our Level 3 instruments are comprised of fuel hedges, interest rate swaps, and impairment measurements. The fair values of our hedges and swaps were estimated using discounted cash flow calculations based upon forward fuel prices and interest-rate yield curves. The notional values of our two interest rate swaps were $53 million and $31 million as of December 31, 2021, both with maturities of May 2022. Although we utilize third-party broker quotes to assess the reasonableness of our prices and valuation, we do not have sufficient corroborating market evidence to support classifying these assets and liabilities as Level 2. The Company also recorded impairments during Q3 of 2021 and Q4 of 2021 which incorporate Level 3 non-recurring fair value measures as further discussed in Note 2. Certain properties' asset retirement obgligation liabilities use Level 3 non-recurring fair value measures which are discussed in Note 1.

The following table summarizes our financial assets and liabilities measured on a recurring basis at fair value at December 31, 2021 and 2020 by respective level of the fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Liabilities:				
Interest rate swaps	—	—	867	867
	$ —	$ —	$ 867	$ 867
December 31, 2020				
Liabilities:				
Fuel hedge	$ —	$ —	$ 297	$ 297
Interest rate swaps	—	—	3,893	3,893
	$ —	$ —	$ 4,190	$ 4,190

The table below highlights the change in fair value of the fuel hedges and interest rate swaps which are based on a discounted future cash flow model (in thousands):

Ending balance, December 31, 2019	$	(3,800)
Change in estimated fair value		(390)
Ending balance, December 31, 2020		(4,190)
Change in estimated fair value		3,323
Ending balance, December 31, 2021*	$	(867)

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*Recorded in accounts payable and accrued liabilities and other liabilities in the Balance Sheet to these Consolidated Financial Statements.

(15) EQUITY METHOD INVESTMENTS

Sunrise Energy, LLC

We own a 50% interest in Sunrise Energy, LLC, which owns gas reserves and gathering equipment with plans to develop and operate such reserves. Sunrise Energy also plans to develop and explore for oil, gas, and coal-bed methane gas reserves on or near our underground coal reserves. The carrying value of the investment included in our consolidated balance sheets as of December 31, 2021 and 2020 was $3.5 million and $3.2 million, respectively.

Sunrise Energy plans to develop and explore for oil, gas, and coal-bed methane gas reserves on or near our underground coal reserves.

(16) HOURGLASS SANDS

In February 2018, we invested $4 million in Hourglass Sands, LLC (Hourglass), a frac sand mining company in the State of Colorado. We own 100% of the Class A units and are consolidating the activity of Hourglass in these statements. Class A units are entitled to 100% of profit until our capital investment and interest is returned, then 90% of profits are allocated to us with remainder to Class B units. We do not own any Class B units.

In February 2018, a Yorktown company associated with one of our directors also invested $4 million in Hourglass in return for a royalty interest in Hourglass. This investment coupled with our $4 million investment brings the initial capitalization of Hourglass to $8 million. We report the royalty interest as a redeemable noncontrolling interest in the consolidated balance sheets. A representative of the Yorktown company holds a seat on the board of managers, and, with a change of control, the Yorktown company may be entitled to receive a portion of the net proceeds realized, as prescribed in the Hourglass operating agreement.

In December 2019, we recorded an impairment to Hourglass Sands of $2.9 million. In August 2020, we ceased operation of the plant and recorded an additional impairment of $1.8 million. See Note 2 to these consolidated financial statements for further discussion.

(17) SUBSEQUENT EVENTS

As announced in our Form 8-K filed on February 18, 2022, on February 14, 2022, Hallador Energy Company, through its subsidiary Hallador Power Company, LLC, entered into an Asset Purchase Agreement (the "Purchase Agreement") to acquire Hoosier Energy's 1-Gigawatt Merom Generating Station, located in Sullivan County, Indiana, in return for assuming certain decommissioning costs and environmental responsibilities. The transaction, which includes a 3.5-year power purchase agreement (PPA), is scheduled to close in mid- July 2022 upon obtaining required governmental and financial approvals.

On March 25, 2022, we executed an amendment to our credit agreement with PNC as discussed in Note 5 to these consolidated financial statments.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls

We maintain a system of disclosure controls and procedures that are designed for the purposes of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our CEO and CFO as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our CEO and CFO of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective for the purposes discussed above.

Internal Control Over Financial Reporting (ICFR)

Our management, including our CEO and CFO, is responsible for establishing and maintaining adequate ICFR. Our ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Management evaluated the effectiveness of our ICFR based on the framework in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Our management evaluated, with the participation of our CEO and CFO, the effectiveness of our ICFR as of December 31, 2021. Based on that evaluation, our management concluded that our ICFR was effective at December 31, 2021.

There were no significant changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 25, 2022, Hallador Energy Company executed an amendment to its credit agreement with PNC, administrative agent for its lenders. The primary purpose of the amendment is to return the allowable leverage ratio and debt service coverage ratio to their December 31, 2021 levels through September 30, 2022, with the debt service coverage ratio waived for March 31, 2022.

The interest rate per the amendment ranges from LIBOR plus 2.75% to LIBOR plus 4.00%, with a LIBOR floor of 0.50%, depending on the Company's leverage ratio. The Company expects the interest rate to be LIBOR plus 3.50% for 2022.

A copy of the credit agreement is filed herewith as Exhibit 10.10 to this Form 10-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

None.

PART III

Pursuant to paragraph 3 of General Instruction G to Form 10-K, the information required by Items 10 through 14 of Part III of this Report is incorporated by reference from our definitive proxy statement, which is to be filed pursuant to Regulation 14A within 120 days after the end of our fiscal year ended December 31, 2020.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

See Item 8 for an index of our financial statements.

Our exhibit index is as follows:

3.1	Second Restated Articles of Incorporation of Hallador Energy Company effective December 24, 2009. (1)
3.2	By-laws of Hallador Energy Company, effective December 24, 2009 (2)
4.1	Description of Securities (3)
10.1	2009 Stock Bonus Plan (4)*
10.2	Third Amended and Restated Credit Agreement dated May 21, 2018 (5)
10.3	Second Amendment to the Third Amended and Restated Credit Agreement as of September 30, 2019 (6)
10.4	Third Amendment to the Third Amended and Restated Credit Agreement and Waiver (7)
10.5	US SBA Loan (PPP) dated April 16, 2020 (7)
10.6	Amended and Restated Hallador Energy Company 2008 Restricted Stock Unit Plan (8)
10.7	Form of Hallador Energy Company Restricted Stock Unit Issuance Agreement* (8)
10.8	Hallador Energy Company 2020 Compensation Plan adopted March 5, 2020 *(9)
10.9	Asset and Purchase Agreement dated February 14, 2022 (10)
10.10	Sixth Amendement to the Third Amended and Restated Credit Agreement dated March 25, 2022 (12)
14	Code of Ethics for Senior Financial Officers (11)
21.1	List of Subsidiaries (12)
23.1	Consent of Plante & Moran, PLLC (12)
31.1	SOX 302 Certification - President and CEO (12)
31.2	SOX 302 Certifications - CFO (12)
31.3	SOX 302 Certifications - CAO (12)
32	SOX 906 Certification (12)
95	Mine Safety Disclosure (12)
101.INS*	Inline XBRL Instance Document (12)
101.SCH*	Incline XBRL Schema Document (12)
101.CAL*	Inline XBRL Calculation Linkbase Document (12)
101.LAB*	Inline XBRL Labels Linkbase Document (12)
101.PRE*	Inline XBRL Presentation Linkbase Document (12)
101.DEF*	Inline XBRL Definition Linkbase Document (12)
104*	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

(1) IBR to Form 8-K dated December 31, 2009
(2) IBR to Form 10-K/A dated June 29, 2020
(3) IBR to Form 10-K dated March 9, 2020
(4) IBR to Form S-8 dated December 1, 2009
(5) IBR to Form 10-Q dated August 6, 2018
(6) IBR to Form 10-Q dated November 4, 2019
(7) IBR to Form 10-Q dated May 11, 2020
(8) IBR to Form DEF 14A dated April 11, 2017
(9) IBR to Form 10-K/A dated June 12, 2020
(10) IBR to Form 8-K/A dated March 11, 2022
(11) IBR to Form 10KSB dated April 14, 2006
(12) Filed herewith.

* Management Agreements

ITEM 16. FORM 10-K SUMMARY.

As this item is optional, no summary is presented.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HALLADOR ENERGY COMPANY

Date: March 28, 2022

/s/LAWRENCE D. MARTIN
Lawrence D. Martin, CFO

Date: March 28, 2022

/s/R. TODD DAVIS
R. Todd Davis, CAO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/DAVID HARDIE David Hardie	Director	March 28, 2022
/s/BRYAN LAWRENCE Bryan Lawrence	Director	March 28, 2022
/s/BRENT BILSLAND Brent Bilsland	Board Chairman, President and CEO	March 28, 2022
/s/DAVID J. LUBAR David J. Lubar	Director	March 28, 2022

Exhibit 10.10
Execution Version

SIXTH AMENDMENT TO THE THIRD AMENDED AND RESTATED CREDIT AGREEMENT

SIXTH AMENDMENT TO THE THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of March 25, 2022, by and among **HALLADOR ENERGY COMPANY** (the "Borrower"), the Guarantors party hereto, the lenders listed on the signature pages hereof and **PNC BANK, NATIONAL ASSOCIATION**, as administrative agent for the Lenders (the "Administrative Agent") under the Credit Agreement referred to below.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent are party to the Third Amended and Restated Credit Agreement dated as of May 21, 2018, as amended by the First Amendment dated as of March 26, 2019, the Second Amendment dated as of September 30, 2019, the Third Amendment dated as of April 15, 2020, the Fourth Amendment dated as of July 2, 2020 and the Fifth Amendment dated as of May 27, 2021 (and as may be further amended, restated, modified or supplemented, the "Credit Agreement") (capitalized terms used without definition in this Amendment have the meanings given to them in the Credit Agreement), pursuant to which the Lenders have extended credit to the Borrower;

WHEREAS, the Borrower has requested that certain amendments be made as set forth in more detail herein; and

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Credit Agreement.

NOW, THEREFORE, in consideration of their mutual covenants and agreements hereafter set forth, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

Section 1.1 Amendments to Credit Agreement.

The Credit Agreement is hereby amended to be as set forth in the conformed copy attached hereto as Exhibit A.

Section 1.2 Waiver.

The Lenders party hereto hereby waive the Potential Default or Event of Default under the Loan Documents occurring at any time prior to the date hereof that arose due to or solely in connection with (i) the failure of the Loan Parties to timely comply with Section 8.1.11(ii) of the Credit Agreement as in effect before giving effect to this Amendment with respect to the real property listed on Schedule 1 hereto and (ii) the failure to give notice, pursuant to Section 8.3.4.1 of the Credit Agreement, of a Potential Default or Event of Default arising out of any event described in the foregoing clause (i) (the "Existing Defaults").

ARTICLE II

Section 2.1 **No Other Amendments**. Except as amended hereby, the terms and provisions of the Credit Agreement remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any Potential Default or Event of Default under any Loan Document, or a waiver or release of any of the Lenders' or Administrative Agent's rights and remedies (all of which are hereby reserved).

Section 2.2 **Representations and Warranties**. The Borrower hereby represents and warrants to the Lenders and the Administrative Agent that the representations and warranties set forth in Article 6 of the Credit Agreement, are true and correct in all material respects on and as of the date hereof (except for any representation or warranty which was expressly limited to an earlier date, in which case such representation and warranty shall be true and correct in all material respects on and as of such date), and that after giving effect to this Amendment, no Event of Default, or Potential Default, has occurred and is continuing or exists on or as of the date hereof.

Section 2.3 **Conditions to Effectiveness**. This Amendment shall become effective upon the satisfaction of the following conditions precedents:

(a) Amendment. The Administrative Agent shall have received an executed counterpart of this Amendment executed on behalf of (i) each of the Loan Parties and (ii) Lenders constituting the Required Lenders.

(b) Certain Representations. (i) The representations and warranties of the Loan Parties contained in Section 6 of the Credit Agreement including as amended by the modifications and additional representations and warranties of this Amendment, and of each Loan Party in each of the other Loan Documents shall be true and accurate in all material respects on and as of the date hereof with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct in all material respects on and as of the specific dates or times referred to therein),(ii) other than with respect to the Existing Defaults, each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, (iii) other than the Existing Defaults, no Event of Default or Potential Default shall have occurred and be continuing or shall exist, and (iv) the execution of this amendment has been duly authorized by the Loan Parties.

(c) No Defaults under Other Obligations. No default under any note, credit agreement or other document relating to existing Indebtedness of any of the Loan Parties shall occur as a result of this Amendment.

(d) No Actions or Proceedings. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Amendment, the other Loan Documents or the consummation of the transactions contemplated hereby or thereby or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Amendment or any of the other Loan Documents.

(e) Consents. All material consents required to effectuate the transactions contemplated by this Amendment and the other Loan Documents and shall have been obtained.

(f) Confirmation of Guaranty. Each of the Guarantors confirms that they have read and understand the Amendment. In order to induce the Lenders, the Administrative Agent and the other Agents to enter into the Amendment, each of the Guarantors: (i) consents to the Amendment and the transactions contemplated thereby; (ii) ratifies and confirms each of the Loan Documents to which it is a party; (iii) ratifies, agrees and confirms that it has been a Guarantor and a Loan Party at all times since it became a Guarantor and a Loan Party and from and after the date hereof, each Guarantor shall continue to be a Guarantor and a Loan Party in accordance with the terms of the Loan Documents, as the same may be amended in connection with the Amendment and the transactions contemplated thereby; and (iv) hereby ratifies and confirms its obligations under each of the Loan Documents (including all exhibits and schedules thereto), as the same may be amended in connection with the Amendment and the transactions contemplated thereby, by signing below as indicated and hereby acknowledges and agrees that nothing contained in any of such Loan Documents is intended to create, nor shall it constitute an interruption, suspension of continuity, satisfaction, discharge of prior duties, novation or termination of the indebtedness, loans, liabilities, expenses, guaranty or obligations of any of the Loan Parties under the Credit Agreement or any other such Loan Document.

(g) Legal Details. All legal details and proceedings in connection with the transactions contemplated by this Amendment and the other Loan Documents shall be in form and substance satisfactory to the Administrative Agent and counsel for the Administrative Agent, and the Administrative Agent shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Administrative Agent and its counsel, as the Administrative Agent or its counsel may reasonably request. Without limiting the generality of the foregoing, the Loan Parties and Lenders hereby (i) agree that, for all purposes of this Amendment, electronic images of this Amendment or any other Loan Documents (in each case, including with respect to any signature pages thereto) shall have the same legal effect, validity and enforceability as any paper original, and (ii) waive any argument, defense or right to contest the validity or enforceability of the Amendment or any other Loan Documents based solely on the lack of paper original copies of such Amendment and Loan Documents, including with respect to any signature pages thereto.

(h) Consent Fee. The Borrower shall have paid to the Administrative Agent for the account of each Lender that has executed and delivered a signature page hereto to the Administrative Agent prior to 5:00 p.m. (New York City time) on March 23, 2022 (or such later date and time specified by the Borrower and notified in writing to the Lenders by the Administrative Agent) the consent fee specified in the posting memorandum dated March 16, 2022.

(i) Fees. All fees, costs and expenses for which the Administrative Agent (and its Affiliates) are entitled to be paid or reimbursed, including but not limited to the fees and expenses of the Administrative Agent's legal counsel shall have been paid.

Section 2.4 Miscellaneous.

(a) This Amendment shall become effective as provided in Section 2.3.

(b) The Credit Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed, and shall, as so amended, remain in full force and effect. From and after the date that the amendments herein described take effect, all reference to the "Agreement" in the Credit Agreement and in the other Loan Documents, shall be deemed to be references to the Credit Agreement as amended by this Amendment.

(c) This Amendment shall be deemed to be a contract under the laws of the Commonwealth of Pennsylvania, and for all purposes shall be governed by, construed and enforced in accordance with the laws of said Commonwealth.

(d) Except as amended hereby, all of the terms and conditions of the Credit Agreement and the other Loan Documents shall remain in full force and effect. Borrower, the other Loan Parties, each Lender party hereto, and Administrative Agent acknowledge and agree that this Amendment is not intended to constitute, nor does it constitute, a novation, interruption, suspension of continuity, satisfaction, discharge or termination of the obligations, loans, liabilities, or indebtedness under the Credit Agreement or the other Loan Documents.

(e) This Amendment may be executed in any number of counterparts by the different parties hereto on separate counterparts. Each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one in the same instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

BORROWER:

HALLADOR ENERGY COMPANY

By: /s/ Larry D. Martin
Name: Larry D. Martin
Title: Chief Financial Officer

GUARANTORS:

EDWARDSPORT CONSTRUCTION COMPANY, LLC
GIBSON COUNTY LOGISTICS, LLC
OAKTOWN FUELS MINE NO. 1, LLC
OAKTOWN FUELS MINE NO. 2, LLC
PROSPERITY MINE, LLC
SFI COAL SALES, LLC
SUNRISE COAL, LLC
SUNRISE LAND HOLDINGS, LLC
SUNRISE ADMINISTRATIVE SERVICES, LLC
SYCAMORE COAL, INC.

By: /s/ Larry D. Martin
Name: Larry D. Martin
Title: President

SUMMIT TERMINAL, LLC

By: /s/ Larry D. Martin
Name: Larry D. Martin
Title: Vice President

RAILPOINT SOLUTIONS, LLC

By: /s/ Heather L. Tryon
Name: Heather L. Tryon
Title: Manager

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent and as Lender

By: /s/ Daniel Scherling
Name: Daniel Scherling
Title: Vice President

UMB Bank, n.a.,
as Lender

By: /s/ John J. Mastro
Name: John J. Mastro
Title: Senior Vice President

The Huntington National Bank,
as Lender

By: /s/ Cameron Hinojosa
Name: Cameron Hinojosa
Title: Vice President

[If second signature is required:]

By: _____
Name:
Title:

KEYBANK NATIONAL ASSOCIATION,
as Lender

By: /s/ Suzanne Rinehart
Name: Suzanne Rinehart
Title: SVP, Sr. Loan Workout RM

[If second signature is required:]

By: N/A
Name:
Title:

Old National Bank,
as Lender

By: /s/ Robert D. Smith
Name: Robert D. Smith
Title: Market President

[If second signature is required:]

By: _____
Name:
Title:

First Horizon Bank,
as Lender

By: /s/ Greg Gough
Name: Greg Gough
Title: Executive Vice President

[Signature Page to Hallador Credit Agreement Sixth Amendment]

First Financial Bank,
as Lender

By: /s/ Dan Laughner
Name: Dan Laughner
Title: Vice President & Senior Commercial Lender

[If second signature is required:]

By: _____
Name:
Title:

First Merchants Bank,
as Lender

By: /s/ Jeff Pangbum
Name: Jeff Pangbum
Title: Vice President

[If second signature is required:]

By:
Name:
Title:

Iroquois Federal Savings and Loan Association,
as Lender

By: /s/ Thomas J. Chamberlain
Name: Thomas J. Chamberlain
Title: Senior Executive Vice President & Chief Lending Officer

[If second signature is required:]

By: _____
Name:
Title:

Exhibit A

[Credit Agreement as Amended by the Sixth Amendment]

Exhibit A to Sixth Amendment

CUSIP Number 40609EAA8

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

by and among

HALLADOR ENERGY COMPANY

and

THE GUARANTORS PARTY HERETO

and

THE LENDERS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent

PNC CAPITAL MARKETS LLC,
as Joint Lead Arranger and Sole Bookrunner

UMB BANK, N.A.
and
THE HUNTINGTON NATIONAL BANK,
as Joint Lead Arrangers and Co-Syndication Agents

KEYBANK NATIONAL ASSOCIATION
and
OLD NATIONAL BANK,
as Co-Documentation Agents

Dated as of May 21, 2018,
as amended as of March 25, 2022

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LIST OF SCHEDULES AND EXHIBITS

SCHEDULES

EXHIBITS

EXHIBIT 1.1(A)	-	ASSIGNMENT AND ASSUMPTION AGREEMENT
EXHIBIT 1.1(B)	-	CERTIFICATE OF BENEFICIAL OWNERSHIP
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EXHIBIT 5.9.7(A)	-	U.S. TAX COMPLIANCE CERTIFICATE (For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT 5.9.7(B)	-	U.S. TAX COMPLIANCE CERTIFICATE (For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT 5.9.7(C)	-	U.S. TAX COMPLIANCE CERTIFICATE (For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT 5.9.7(D)	-	U.S. TAX COMPLIANCE CERTIFICATE (For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT 8.3.3	-	QUARTERLY COMPLIANCE CERTIFICATE

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT (as hereafter amended, the "**Agreement**") is dated as of May 21, 2018, and amended as of March 25, 2022, and is made by and among **HALLADOR ENERGY COMPANY**, a Colorado corporation (the "**Borrower**"), each of the **GUARANTORS** (as hereinafter defined), the **LENDERS** (as hereinafter defined), and **PNC BANK, NATIONAL ASSOCIATION**, in its capacity as administrative agent for the Lenders under this Agreement (hereinafter referred to in such capacity as the "**Administrative Agent**").

The Borrower has requested the Lenders to provide (i) a revolving credit facility to the Borrower in an aggregate principal amount not to exceed $120,000,000 and (ii) a term loan facility to the Borrower in an aggregate principal amount not to exceed $147,000,000. In consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

1. CERTAIN DEFINITIONS

1.1 Certain Definitions. In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

2014 Credit Agreement shall mean that certain Second Amended and Restated Credit Agreement by and among Sunrise Coal, LLC, certain guarantors party thereto, certain lenders party thereto and PNC, as administrative agent, dated as of August 29, 2014, as amended.

Administrative Agent shall mean PNC Bank, National Association, and its successors and assigns, in its capacity as administrative agent hereunder.

Administrative Agent's Fee shall have the meaning specified in Section 10.9 [Administrative Agent's Fee].

Administrative Agent's Letter shall have the meaning specified in Section 10.9 [Administrative Agent's Fee].

Affiliate as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

Ancillary Security Documents shall mean all documents, instruments, environmental reports, agreements, endorsements, policies and certificates requested by the Administrative Agent and customarily delivered by any property owner in connection with a mortgage financing. Without limiting the generality of the foregoing, examples of Ancillary Security Documents would include insurance policies (other than title insurance) or certificates regarding any collateral, lien searches, estoppel letters, flood insurance certifications, environmental audits which shall meet the Administrative Agent's minimum requirements for phase I environmental assessments or phase II environmental assessments, as applicable, opinions of counsel and the like.

Anti-Terrorism Laws shall mean any Laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering or bribery, and any regulation, order, or directive promulgated, issued or enforced pursuant to such Laws, all as amended, supplemented or replaced from time to time.

Applicable Commitment Fee Rate shall mean the percentage rate per annum based on the Leverage Ratio as of the most recent fiscal quarter ended according to the pricing grid on Schedule 1.1(A) below the heading "Commitment Fee."

Applicable Letter of Credit Fee Rate shall mean the percentage rate per annum based on the Leverage Ratio as of the most recent fiscal quarter ended according to the pricing grid on Schedule 1.1(A) below the heading "Letter of Credit Fee."

Applicable Margin shall mean, as applicable:

(A) the percentage spread to be added to the Base Rate applicable to Revolving Credit Loans under the Base Rate Option based on the Leverage Ratio as of the most recent fiscal quarter ended according to the pricing grid on Schedule 1.1(A) below the heading "Revolving Credit Base Rate Spread",

(B) the percentage spread to be added to the Base Rate applicable to Term Loans under the Base Rate Option based on the Leverage Ratio as of the most recent fiscal quarter ended according to the pricing grid on Schedule 1.1(A) below the heading "Term Loan Base Rate Spread",

(C) the percentage spread to be added to the LIBOR Rate applicable to Revolving Credit Loans under the LIBOR Rate Option based on the Leverage Ratio as of the most recent fiscal quarter ended according to the pricing grid on Schedule 1.1(A) below the heading "Revolving Credit LIBOR Rate Spread", or

(D) the percentage spread to be added to the LIBOR Rate applicable to Term Loans under the LIBOR Rate Option based on the Leverage Ratio as of the most recent fiscal quarter ended according to the pricing grid on Schedule 1.1(A) below the heading "Term Loan LIBOR Rate Spread".

Approved Fund shall mean any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

Assignment and Assumption means an assignment and assumption entered into by a Lender and an assignee permitted under Section 11.8 [Successors and Assigns], in substantially the form of Exhibit 1.1(A).

Authorized Officer shall mean, with respect to any Loan Party, the Chief Executive Officer, President, Chief Financial Officer, Treasurer or Assistant Treasurer of such Loan Party, any manager in the case of any Loan Party which is a limited liability company, or such other individuals, designated by written notice to the Administrative Agent from the Borrower, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrower may amend such list of individuals from time to time by giving written notice of such amendment to the Administrative Agent.

Availability shall mean, as of the date of determination, an amount, which equals the sum of (i) the amount of cash or cash equivalents of the Loan Parties as of such date that is not subject to any Lien or other restriction limiting the availability of such funds to repay the Loans, and (ii) the difference (if a positive number) between the amount of the Revolving Credit Commitments as of such date, less the Revolving Facility Usage as of such date, which may be borrowed at such time by the Borrower in accordance with Section 7.2 and will not result (on a Pro Forma Basis) in a breach of a financial or other covenant contained in this Agreement.

Bail-In Action means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

Bail-In Legislation means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

Base Rate shall mean, for any day, a fluctuating per annum rate of interest equal to the highest of (i) the Overnight Bank Funding Rate, plus 0.5%, (ii) the Prime Rate, and (iii) the Daily LIBOR Rate, plus 100 basis points (1.0%). Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs.

Base Rate Option shall mean the option of the Borrower to have Loans bear interest at the rate and under the terms set forth in either Section 4.1.1(i) [Revolving Credit Base Rate Option] or Section 4.1.2(i) [Term Loan Base Rate Options], as applicable.

Beneficial Owner shall mean, for the Borrower, each of the following: (a) each individual, if any, who, directly or indirectly, owns 25% or more of the Borrower's equity interests; and (b) a single individual with significant responsibility to control, manage, or direct such Borrower.

Benefit Plan shall mean any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

Black Lung Act shall mean, collectively, the Black Lung Benefits Revenue Act of 1977, as amended and the Black Lung Benefits Reform Act of 1977, as amended.

Borrower shall mean Hallador Energy Company, a corporation organized and existing under the laws of the State of Colorado.

Borrowing Date shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

Borrowing Tranche shall mean specified portions of Loans outstanding as follows: (i) any Loans to which a LIBOR Rate Option applies which become subject to the same Interest Rate Option under the same Loan Request by the Borrower and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Pittsburgh, Pennsylvania and if the applicable Business Day relates to the request for, or the continuation or conversion of, any Loan to which the LIBOR Rate Option applies, such day must also be a day on which dealings are carried on in the London interbank market.

Capital Stock shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

CARES Act shall mean the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, as amended from time to time, and as interpreted by the SBA.

Cash Management Agreements shall have the meaning specified in Section 2.6.6 [Swing Loans Under Cash Management Agreements].

Cash Surplus shall mean any unrestricted cash or cash equivalents of the Borrower and the other Loan Parties in excess of $10,000,000, in the aggregate, at any time; provided that any cash or cash equivalents of the Borrower and the other Loan Parties shall be excluded from the determination of "Cash Surplus" to the extent that the Borrower or such other Loan Party is holding proceeds from a PPP Loan which (i) are being held by the Borrower or such other Loan Party for paying qualified expenses under the Paycheck Protection Program and (ii) has not been deemed disqualified for forgiveness of such Indebtedness under the Paycheck Protection Program.

CEA shall mean the Commodity Exchange Act (7 U.S.C.§1 et seq.), as amended from time to time, and any successor statute.

Certificate of Beneficial Ownership shall mean, for the Borrower, a certificate in substantially the form of Exhibit 1.1(B) hereto (as amended or modified by Administrative Agent from time to time in its reasonable discretion), certifying, among other things, the Beneficial Owner of the Borrower.

CFTC shall mean the Commodity Futures Trading Commission.

Change in Law shall mean the occurrence, after the date of this Agreement, of any of the following: (i) the adoption or taking effect of any Law, (ii) any change in any Law or in the administration, interpretation, implementation or application thereof by any Official Body or (iii) the making or issuance of any request, rule, guideline or directive (whether or not having the force of Law) by any Official Body; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall in each case be deemed to be a Change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

Change of Control shall mean any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 25% of the Capital Stock of the Borrower.

CIP Regulations shall have the meaning specified in Section 10.11 [No Reliance on Administrative Agent's Customer Identification Program].

Closing Date shall mean the Business Day on which the first Loan shall be made, which shall be May 21, 2018.

Coal Act shall mean the Coal Industry Retiree Health Benefits Act of 1992, as amended.

Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Collateral shall mean the collateral under the (i) Security Agreement (ii) Pledge Agreement, (iii) Collateral Assignment or (iv) Mortgages, other than the Excluded Collateral.

Collateral Assignment shall mean the Collateral Assignment in the form of Exhibit 1.1(C).

Collateral Documents shall have the meaning assigned to that term in Section 6.1.11 [Liens in Collateral].

Commitment shall mean as to any Lender the aggregate of its Revolving Credit Commitment and Term Loan Commitment and, in the case of PNC, its Swing Loan Commitment, and Commitments shall mean the aggregate of the Revolving Credit Commitments, Term Loan Commitments and Swing Loan Commitment of all of the Lenders.

Commitment Fee shall have the meaning specified in Section 2.3 [Commitment Fees].

Commodity Hedge shall mean a price protection agreement: (i) related to crude oil, diesel fuel, gasoline, propane, heating oil, coal, SO2 allowances or other commodities used in the ordinary course of business of the Loan Parties and (ii) entered into by the Loan Parties for hedging purposes in the ordinary course of the operations of their business.

Compliance Certificate shall have the meaning specified in Section 8.3.3 [Certificates of Borrower].

Connection Income Taxes shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

Consideration shall mean with respect to any Permitted Acquisition, the aggregate of (without duplication) (i) the cash paid by any of the Loan Parties, directly or indirectly, to the seller in connection therewith, (ii) the Indebtedness incurred or assumed by any of the Loan Parties, whether in favor of the seller or otherwise and whether fixed or contingent, (iii) any Guaranty given or incurred by any Loan Party in connection therewith, and (iv) any other consideration given or obligation incurred by any of the Loan Parties in connection therewith.

Consolidated EBITDA for any period of determination shall mean for the Loan Parties (i) the sum of Consolidated Net Income (but excluding the effect of non-cash compensation expenses related to common stock and other equity securities issued to employees), depreciation, depletion, amortization, other non-cash charges to net income, interest expense, and income tax expense, plus (ii) costs and fees incurred in connection with the closing of the transactions contemplated by this Agreement and the administration (including in connection with any waiver, amendment, supplementation or other modification thereto of the Loan Documents) of the Loan Documents, minus (iii) non-cash credits to net income for such period determined and consolidated in accordance with GAAP. Notwithstanding the foregoing, (i) the Loan Parties may include the Net Specified Excluded Subsidiary Distribution Amount in the computation of Consolidated EBITDA for the trailing twelve month period if such amount is positive, and (ii) the proceeds of any sales of equity in any Specified Excluded Subsidiary made in accordance with Section 8.2.7(vii) [Dispositions of Assets or Subsidiaries] shall not be included in the computation of Consolidated EBITDA. Consolidated EBITDA shall be calculated on a Pro Forma Basis except for purposes of calculating Excess Cash Flow and for purposes of calculating compliance with Section 8.2.5(iii)(c) [Dividends and Related Distributions] and Section 8.2.15 [Minimum Debt Service Coverage Ratio].

Consolidated Funded Debt shall mean, without duplication, total Indebtedness for Borrowed Money of the Loan Parties, determined and consolidated in accordance with GAAP and calculated on a Pro Forma Basis.

Consolidated Net Income shall mean, for any period, the aggregate net income (or loss) of the Loan Parties for such period determined on a consolidated basis in conformity with GAAP, provided that the following (without duplication) will be excluded in computing Consolidated Net Income:

(a) the net income (or loss) of any Person other than a Borrower or Restricted Subsidiary (including any joint venture that is not a Restricted Subsidiary);

(b) the net income (or loss) of any Person (other than any Loan Party) to the extent that the declaration or payment of dividends or similar distributions by such Person of its net income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Person or its stockholders, unless such restriction with respect to the payment of dividends or in similar distributions has been legally waived;

(c) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to asset sales or other dispositions, in each case other than in the ordinary course of business;

(d) any net after-tax extraordinary gains or losses; and

(e) the cumulative effect of a change in accounting principles.

Contamination shall mean the presence or release or threat of release of Regulated Substances in, on, under or emanating to or from the Real Property, which pursuant to Environmental Laws requires notification or reporting to an Official Body, or which pursuant to Environmental Laws requires the investigation, cleanup, removal, remediation, containment, abatement of or other response action or which otherwise constitutes a violation of Environmental Laws.

Covered Entity shall mean (a) the Borrower, each of Borrower's Subsidiaries, all Guarantors and all pledgors of Collateral, and (b) each Person that, directly or indirectly, is in control of a Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the direct or indirect (x) ownership of, or power to vote, 50% or more of the issued and outstanding equity interests having ordinary voting power for the election of directors of such Person or other Persons performing similar functions for such Person, or (y) power to direct or cause the direction of the management and policies of such Person whether by ownership of equity interests, contract or otherwise.

Daily LIBOR Rate shall mean, for any day, the rate per annum determined by the Administrative Agent by dividing (x) the Published Rate by (y) a number equal to 1.00 *minus* the LIBOR Reserve Percentage on such day. Notwithstanding the foregoing, if the Daily LIBOR Rate as determined above would be less than one half of one percent (0.50%), such rate shall be deemed to be one half of one percent (0.50%) for purposes of this Agreement.

Debt Service Coverage Ratio shall mean, as of any date of determination, the ratio of (A) Consolidated EBITDA of the Loan Parties, divided by (B) the sum of (i) scheduled principal reductions on the Term Loans and principal reductions on Indebtedness (other than principal reductions on the Revolving Credit Loans) of the Loan Parties, plus (ii) interest expense of the Loan Parties required to be paid, each calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, in each case of the Loan Parties for such period determined and consolidated in accordance with GAAP, as measured on a rolling four quarter basis. For purposes of this definition, the computation of interest expense shall exclude (i) during the Pre-Forgiveness Period, the interest expense of any PPP Loan, and (ii) thereafter, the interest expense of any PPP Loan other than interest expense on the amount that is not forgivable pursuant to the terms of the CARES Act.

Defaulting Lender shall mean any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swing Loans or (iii) pay over to the Administrative Agent, the Issuing Lender, PNC Bank (as the Swing Loan Lender) or any Lender any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or the Administrative Agent in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within two Business Days after request by the Administrative Agent or the Borrower, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit and Swing Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon the Administrative Agent's or the Borrower's receipt of such certification in form and substance satisfactory to the Administrative Agent or the Borrower, as the case may be, (d) has become the subject of a Bankruptcy Event or (e) has failed at any time to comply with the provisions of Section 5.3 [Sharing of Payments by Lenders] with respect to purchasing participations from the other Lenders, whereby such Lender's share of any payment received, whether by setoff or otherwise, is in excess of its Ratable Share of such payments due and payable to all of the Lenders.

As used in this definition and in Section 2.10 [Defaulting Lenders], the term "Bankruptcy Event" means, with respect to any Person, such Person or such Person's direct or indirect parent company becoming the subject of a bankruptcy or insolvency proceeding, or having had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person or such Person's direct or indirect parent company by an Official Body or instrumentality thereof if, and only if, such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Official Body or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

Dollar, Dollars, U.S. Dollars and the symbol $ shall mean lawful money of the United States of America.

Drawing Date shall have the meaning specified in Section 2.9.3 [Disbursements, Reimbursement].

EEA Financial Institution means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

EEA Member Country means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

EEA Resolution Authority means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

Effective Date means the date indicated in a document or agreement to be the date on which such document or agreement becomes effective, or, if there is no such indication, the date of execution of such document or agreement.

Eligible Contract Participant shall mean an "eligible contract participant" as defined in the CEA and regulations thereunder.

Eligibility Date shall mean, with respect to each Loan Party and each Swap, the date on which this Agreement or any other Loan Document becomes effective with respect to such Swap (for the avoidance of doubt, the Eligibility Date shall be the Effective Date of such Swap if this Agreement or any other Loan Document is then in effect with respect to such Loan Party, and otherwise it shall be the Effective Date of this Agreement and/or such other Loan Document(s) to which such Loan Party is a party).

Environmental Complaint shall mean any written complaint by any Person or Official Body setting forth a cause of action for personal injury or property damage, natural resource damage, contribution or indemnity for response costs, civil or administrative penalties, criminal fines or penalties, or declaratory or equitable relief arising under any Environmental Laws or any order, notice of violation, citation, subpoena, request for information or other written notice or demand of any type issued by an Official Body pursuant to any Environmental Laws.

Environmental Laws shall mean all federal, state, local and foreign Laws and any consent decrees, settlement agreements, judgments, orders, directives or policies or programs having the force and effect of law issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health or the environment; (iii) employee safety in the workplace; (iv) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, transport, storage, collection, distribution, disposal or release or threat of release of Regulated Substances; (v) the presence of Contamination; (vi) the protection of endangered or threatened species and (vii) the protection of Environmentally Sensitive Areas.

Environmentally Sensitive Area shall mean (i) any wetland as defined by applicable Environmental Laws; (ii) any area designated as a coastal zone pursuant to applicable Laws, including Environmental Laws; (iii) any area of historic or archeological significance or scenic area as defined or designated by applicable Laws, including Environmental Laws; (iv) habitats of endangered species or threatened species as designated by applicable Laws, including Environmental Laws or (v) a floodplain or other flood hazard area as defined pursuant to any applicable Laws.

Equity Issuances shall mean issuances of equity of a Loan Party that result in cash proceeds and shall specifically exclude (a) any issuance of equity to employees, officers, or directors of any Loan Party that is issued in connection with such person's compensation, (b) the issuance of equity of Borrower in order to finance the purchase consideration (or a portion thereof) in connection with a Permitted Acquisition, and (c) in the event that any Loan Party or any of its Subsidiaries forms any Subsidiary in accordance with the terms hereof, the issuance by such Subsidiary of equity to any such Loan Party or such Subsidiary, as applicable.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Event shall mean (a) with respect to a Pension Plan, a reportable event under Section 4043 of ERISA as to which event (after taking into account notice waivers provided for in the regulations) there is a duty to give notice to the PBGC; (b) a withdrawal by Borrower or any member of the ERISA Group from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Borrower or any member of the ERISA Group from a Multiemployer Plan, notification that a Multiemployer Plan is in reorganization, or occurrence of an event described in Section 4041A(a) of ERISA that results in the termination of a Multiemployer Plan; (d) the filing of a notice of intent to terminate a Pension Plan, the treatment of a Pension Plan amendment as a termination under Section 4041(e) of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any member of the ERISA Group.

ERISA Group shall mean, at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Code or Section 4001(b)(1) of ERISA.

Erroneous Payment has the meaning assigned to it in Section 10.12(a).

Erroneous Payment Notice has the meaning assigned to it in Section 10.12(a).

Eurocurrency Liabilities shall have the meaning ascribed to such term in the definition of LIBOR Reserve Percentage set forth herein.

Event of Default shall mean any of the events described in Section 9.1 [Events of Default] and referred to therein as an "Event of Default."

Excess Cash Flow shall be computed as of the close of each fiscal year by taking the difference between Consolidated EBITDA and the sum of Fixed Charges for such fiscal year. All determinations of Excess Cash Flow shall be based on the immediately preceding fiscal year and shall be made following the delivery by the Borrower to the Administrative Agent of the Borrower's audited financial statements for such preceding year.

Excluded Collateral shall mean the following:

(1) any lease, license, contract, property rights, equipment, joint venture interests, or agreement to which a Loan Party is a party or any of its rights or interests thereunder if and for so long as the grant of a security interest therein shall constitute or result in (A) the abandonment, invalidation or unenforceability of any right, title or interest of such Loan Party therein or (B) a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract, property rights or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity), provided however that, in the case of either (A) or (B) above, such security interest shall attach immediately at such time as the condition causing such abandonment, invalidation or unenforceability shall be remedied and to the extent severable, shall attach immediately to any portion of such lease, license, contract, property rights or agreement that does not result in any of the consequences specified in (A) or (B) above,

(2) any of the outstanding equity interests of any Subsidiary not organized under the laws of the United States or any State or a political subdivision thereof in excess of 65% of the voting power of all classes of equity interests of such Subsidiary entitled to vote,

(3) the outstanding equity interests of any Excluded Subsidiary (other than equity interests of (ii) Hallador Sands and each of its Subsidiaries to the extent owned by a Loan Party or its Subsidiaries and (ii) Hallador Renewables),

(4) all assets owned by any Excluded Subsidiary (other than the outstanding equity interests of Hallador Sands and each of its Subsidiaries to the extent owned by a Loan Party or its Subsidiaries),

(5) all interests in real property of Summit Terminal, both owned and leased, and the surface and mineral rights, interests, licenses, easements, rights of way, water rights, and other interests of Summit Terminal,

(6) assets of the Loan Parties that the Administrative Agent reasonably determines that the benefits of obtaining such Collateral are outweighed by the costs or burdens of providing the same, or

(7) all interests of Borrower in and to any oil and gas leases which exist as of the Closing Date.

Excluded Hedge Liability or Liabilities shall mean, with respect to each Loan Party, each of its Swap Obligations if, and only to the extent that, all or any portion of this Agreement or any other Loan Document that relates to such Swap Obligation is or becomes illegal under the CEA, or any rule, regulation or order of the CFTC, solely by virtue of such Loan Party's failure to qualify as an Eligible Contract Participant on the Eligibility Date for such Swap. Notwithstanding anything to the contrary contained in the foregoing or in any other provision of this Agreement or any other Loan Document, the foregoing is subject to the following provisos: (a) if a Swap Obligation arises under a master agreement governing more than one Swap, this definition shall apply only to the portion of such Swap Obligation that is attributable to Swaps for which such guaranty or security interest is or becomes illegal under the CEA, or any rule, regulations or order of the CFTC, solely as a result of the failure by such Loan Party for any reason to qualify as an Eligible Contract Participant on the Eligibility Date for such Swap, (b) if a guarantee of a Swap Obligation would cause such obligation to be an Excluded Hedge Liability but the grant of a security interest would not cause such obligation to be an Excluded Hedge Liability, such Swap Obligation shall constitute an Excluded Hedge Liability for purposes of the guaranty but not for purposes of the grant of the security interest, and (c) if there is more than one Loan Party executing this Agreement or the other Loan Documents and a Swap Obligation would be an Excluded Hedge Liability with respect to one or more of such Persons, but not all of them, the definition of Excluded Hedge Liability or Liabilities with respect to each such Person shall only be deemed applicable to (i) the particular Swap Obligations that constitute Excluded Hedge Liabilities with respect to such Person, and (ii) the particular Person with respect to which such Swap Obligations constitute Excluded Hedge Liabilities.

Excluded Subsidiaries shall mean Sunrise Energy, LLC, an Indiana limited liability company, Sunrise Indemnity, Inc., a Delaware corporation, and the Specified Excluded Subsidiaries, with each being an Excluded Subsidiary.

Excluded Taxes shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (i) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (a) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (b) that are Other Connection Taxes, (ii) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (a) such Lender acquires such interest in such Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 5.6.2 [Replacement of a Lender]) or (b) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 5.9.7 [Status of Lenders], amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (iii) Taxes attributable to such Recipient's failure to comply with Section 5.9.7 [Status of Lenders], and (iv) any U.S. federal withholding Taxes imposed under FATCA (except to the extent imposed due to the failure of the Borrower to provide documentation or information to the IRS).

Executive Order No. 13224 shall mean the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

Expiration Date shall mean September 30, 2023.

Existing Letters of Credit shall have the meaning assigned to that term in Section 2.9 [Letter of Credit Subfacility].

FATCA shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

Federal Funds Effective Rate for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the NYFRB (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

First Amendment shall mean that certain First Amendment to Credit Agreement dated as of the First Amendment Closing Date.

First Amendment Closing Date shall mean March 26, 2019.

Fixed Charge Coverage Ratio shall mean the ratio of (i) Consolidated EBITDA to (ii) Fixed Charges.

Fixed Charges shall mean for any period of determination the sum of the Loan Parties' (i) interest expense, (ii) income taxes due and payable, (iii) current and other scheduled principal installments on Indebtedness (as adjusted for prepayments), (iv) capital expenditure payments or capitalized lease payments, (v) dividends and distributions payments made by the Borrower, and (vi) other mandatory prepayments of the Loans made in connection with any Specified Excluded Subsidiary Distributions in accordance with Section 5.7.1 [Mandatory Prepayments; Specified Excluded Subsidiary Distributions], for such period determined and consolidated in accordance with GAAP, and calculated on a Pro Forma Basis.

Flood Laws shall mean all applicable Laws relating to policies and procedures that address requirements placed on federally regulated lenders under the National Flood Insurance Reform Act of 1994 and other Laws related thereto.

Foreign Lender shall mean (i) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (ii) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the Laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

Foreign Subsidiaries shall mean, for any Person, each Subsidiary of such Person that is incorporated or organized under the laws of any jurisdiction other than the United States of America or any state or territory thereof.

GAAP shall mean generally accepted accounting principles as are in effect from time to time, subject to the provisions of Section 1.3 [Accounting Principles; Changes in GAAP], and applied on a consistent basis both as to classification of items and amounts.

Guarantor shall mean each of the Restricted Subsidiaries and each other Person which joins this Agreement as a Guarantor after the date hereof.

Guarantor Joinder shall mean a joinder by a Person as a Guarantor under the Loan Documents in the form of Exhibit 1.1(G)(1).

Guaranty of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

Guaranty Agreement shall mean the Continuing Agreement of Guaranty and Suretyship in substantially the form of Exhibit 1.1(G)(2) executed and delivered by each of the Guarantors to the Administrative Agent for the benefit of the Lenders.

Hallador Renewables shall mean Hallador Renewables, LLC, a Delaware limited liability company, and any successor or assign.

Hallador Sands shall mean Hallador Sands, LLC, a Delaware limited liability company, and any successor or assign.

Hedge Liabilities shall mean the Interest Rate Hedge Liabilities.

High Point shall mean High Point Land Holdings, LLC, a Delaware limited liability company.

Hourglass Sands shall mean Hourglass Sands, LLC, a Delaware limited liability company.

Indebtedness shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit agreement, (iv) obligations under any currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (v) any other transaction (including forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than thirty (30) days past due), or (vi) any Guaranty of Indebtedness for borrowed money.

Indebtedness for Borrowed Money shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) the unreimbursed amount of all drafts drawn under letters of credit issued for the account of such Person and the undrawn stated amount of all letters of credit issued for the account of such Person, (iv) obligations with respect to capitalized leases, or (v) any Guaranty of Indebtedness of the type described in clauses (i) through (iv) above.

Indemnified Taxes shall mean (i) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document, and (ii) to the extent not otherwise described in the preceding clause (i), Other Taxes.

Indemnitee shall have the meaning specified in Section 11.3.2 [Indemnification by the Borrower].

Indemnity shall mean the Indemnity Agreement in the form of Exhibit 1.1(I)(1) relating to possible environmental liabilities associated with any of the owned or leased real property of the Loan Parties or their Subsidiaries.

Information shall mean all information received from the Loan Parties or any of their Subsidiaries relating to the Loan Parties or any of such Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the Issuing Lender on a non-confidential basis prior to disclosure by the Loan Parties or any of their Subsidiaries.

Insolvency Proceeding shall mean, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors; undertaken under any Law.

Intercompany Subordination Agreement shall mean a Subordination Agreement among the Loan Parties in the form attached hereto as Exhibit 1.1(I)(2).

Interest Period shall mean the period of time selected by the Borrower in connection with (and to apply to) any election permitted hereunder by the Borrower to have Loans bear interest under the LIBOR Rate Option. Subject to the last sentence of this definition, such period shall be one, two, three or six Months, as selected by the Borrower. Such Interest Period shall commence on the effective date of such Interest Rate Option, which shall be (i) the Borrowing Date if the Borrower is requesting new Loans, or (ii) the date of renewal of or conversion to the LIBOR Rate Option if the Borrower is renewing or converting to the LIBOR Rate Option applicable to outstanding Loans. Notwithstanding the second sentence hereof: (A) any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (B) the Borrower shall not select, convert to or renew an Interest Period for any portion of the Loans that would end after the Expiration Date or Maturity Date.

Interest Rate Hedge shall mean an interest rate exchange, collar, cap, swap, adjustable strike cap, adjustable strike corridor or similar agreements entered into by the Loan Parties or their Subsidiaries in order to provide protection to, or minimize the impact upon, the Borrower, the Guarantor and/or their Subsidiaries of increasing floating rates of interest applicable to Indebtedness.

Interest Rate Hedge Liabilities shall have the meaning ascribed to such term in the definition of Lender Provided Interest Rate Hedge.

Interest Rate Option shall mean any LIBOR Rate Option or Base Rate Option.

IRS shall mean the United States Internal Revenue Service.

ISP98 shall have the meaning specified in Section 11.11.1 [Governing Law].

Issuing Lender means PNC Bank, in its individual capacity as issuer of Letters of Credit hereunder, and any other Lender that Borrower, Administrative Agent and such other Lender may agree may from time to time issue Letters of Credit hereunder.

Joint Venture shall mean a corporation, partnership, limited liability company or other entities in which any Person other than the Loan Parties and their Subsidiaries holds, directly or indirectly, an equity interest.

Law shall mean any law(s) (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, issued guidance, release, ruling, order, executive order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or any settlement arrangement, by agreement, consent or otherwise, with any Official Body, foreign or domestic.

Lender Provided Commodity Hedge shall mean a Commodity Hedge which is entered into with any Lender or its Affiliate and with respect to which such Lender confirms to Administrative Agent in writing prior to the execution thereof that it (i) is documented in a standard International Swaps and Derivatives Association Master Agreement or another reasonable and customary manner, (ii) provides for the method of calculating the reimbursable amount of the provider's credit exposure in a reasonable and customary manner, and (iii) is entered into for hedging purposes (rather than speculative) purposes. The liabilities owing to the provider of any Lender Provided Commodity Hedge (the "**Commodity Hedge Liabilities**") by any Loan Party that is party to such Lender Provided Commodity Hedge shall, for purposes of this Agreement and all other Loan Documents be "Obligations" of such Person and of each other Loan Party, be guaranteed obligations under any Guaranty Agreement and secured obligations under any other Loan Document, as applicable, and otherwise treated as Obligations for purposes of the other Loan Documents, except to the extent constituting Excluded Hedge Liabilities of such Person. The Liens securing the Commodity Hedge Liabilities shall be pari passu with the Liens securing all other Obligations under this Agreement and the other Loan Documents, subject to the express provisions of Section 9.2.5 [Application of Proceeds].

Lender Provided Interest Rate Hedge shall mean an Interest Rate Hedge which is provided by any Lender or its Affiliate and with respect to which such Lender confirms to Administrative Agent in writing prior to the execution thereof that it: (a) is documented in a standard International Swaps and Derivatives Association Master Agreement or another reasonable and customary manner, (b) provides for the method of calculating the reimbursable amount of the provider's credit exposure in a reasonable and customary manner, and (c) is entered into for hedging (rather than speculative) purposes. The liabilities owing to the provider of any Lender Provided Interest Rate Hedge (the "**Interest Rate Hedge Liabilities**") by any Loan Party that is party to such Lender Provided Interest Rate Hedge shall, for purposes of this Agreement and all other Loan Documents be "Obligations" of such Person and of each other Loan Party, be guaranteed obligations under any Guaranty Agreement and secured obligations under any other Loan Document, as applicable, and otherwise treated as Obligations for purposes of the other Loan Documents, except to the extent constituting Excluded Hedge Liabilities of such Person. The Liens securing the Hedge Liabilities shall be pari passu with the Liens securing all other Obligations under this Agreement and the other Loan Documents, subject to the express provisions of Section 9.2.5 [Application of Proceeds].

Lenders shall mean the financial institutions named on Schedule 1.1(B) and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a Lender. For the purpose of any Loan Document which provides for the granting of a security interest or other Lien to the Lenders or to the Administrative Agent for the benefit of the Lenders as security for the Obligations, "Lenders" shall include any Affiliate of a Lender to which such Obligation is owed.

Lessor Consents shall have the meaning specified in Section 7.1.1(vii) [Deliveries].

Letter of Credit shall have the meaning specified in Section 2.9.1 [Issuance of Letters of Credit].

Letter of Credit Borrowing shall have the meaning specified in Section 2.9.3 [Disbursements, Reimbursement].

Letter of Credit Fee shall have the meaning specified in Section 2.9.2 [Letter of Credit Fees].

Letter of Credit Obligation means, as of any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit on such date (if any Letter of Credit shall increase in amount automatically in the future, such aggregate amount available to be drawn shall currently give effect to any such future increase) plus the aggregate Reimbursement Obligations and Letter of Credit Borrowings on such date.

Letter of Credit Sublimit shall have the meaning specified in Section 2.9.1 [Issuance of Letters of Credit].

Leverage Ratio shall mean, as of the end of any date of determination, the ratio of (A) Consolidated Funded Debt of the Loan Parties on such date to (B) Consolidated EBITDA (i) for the four fiscal quarters then ending if such date is a fiscal quarter end or (ii) for the four fiscal quarters most recently ended if such date is not a fiscal quarter end. For purposes of this definition, Consolidated Funded Debt of the Loan Parties shall exclude (i) during the Pre-Forgiveness Period, the aggregate principal amount of the PPP Loan and (ii) thereafter, the aggregate principal amount of the PPP Loan other than the amount that is not forgivable pursuant to the terms of the CARES Act.

LIBOR Rate shall mean, with respect to the Loans comprising any Borrowing Tranche to which the LIBOR Rate Option applies for any Interest Period, the interest rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Administrative Agent as an authorized information vendor for the purpose of displaying rates at which US dollar deposits are offered by leading banks in the London interbank deposit market (a "LIBOR Alternate Source"), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the London interbank offered rate for U.S. Dollars for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any LIBOR Alternate Source, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error)), by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage. Notwithstanding the foregoing, if the LIBOR Rate as determined under any method above would be less than one half percent (0.50%), such rate shall be deemed to be one half percent (0.50%) for purposes of this Agreement.

The LIBOR Rate shall be adjusted with respect to any Loan to which the LIBOR Rate Option applies that is outstanding on the effective date of any change in the LIBOR Reserve Percentage as of such effective date. The Administrative Agent shall give prompt notice to the Borrower of the LIBOR Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

LIBOR Rate Option shall mean the option of the Borrower to have Loans bear interest at the rate and under the terms set forth in Section 4.1.1(ii) [Revolving Credit LIBOR Rate Option] or Section 4.1.2(ii) [Term Loan LIBOR Rate Option], as applicable.

LIBOR Reserve Percentage shall mean as of any day the maximum percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to Eurocurrency funding (currently referred to as "**Eurocurrency Liabilities**").

LIBOR Termination Date shall have the meaning specified in Section 4.5.4 [Successor LIBOR Rate Index].

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

Loan Documents shall mean this Agreement, the Administrative Agent's Letter, the Collateral Assignment, the Guaranty Agreement, the Indemnity, the Intercompany Subordination Agreement, the Mortgages, the Notes, the Pledge Agreement, the Security Agreement, and any other instruments, certificates or documents delivered in connection herewith or therewith.

Loan Parties shall mean the Borrower and the Guarantors.

Loan Request shall have the meaning specified in Section 2.5 [Revolving Credit Loan Requests; Swing Loan Requests].

Loans shall mean collectively and Loan shall mean separately all Revolving Credit Loans, Swing Loans and the Term Loans or any Revolving Credit Loan, Swing Loan or the Term Loan.

Material Adverse Change shall mean any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations of the Loan Parties taken as a whole, (c) impairs materially or could reasonably be expected to impair materially the ability of the Loan Parties taken as a whole to duly and punctually pay or perform any of the Obligations, or (d) impairs materially or could reasonably be expected to impair materially the ability of the Administrative Agent or any of the Lenders, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

Maturity Date shall mean March 31, 2023.

Month, with respect to an Interest Period under the LIBOR Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any LIBOR Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Mortgage or Mortgages shall mean each Mortgage and each Mortgage Amendment in substantially the form of Exhibit 1.1(M)(1) and Exhibit 1.1(M)(2) executed and delivered by the Loan Parties to the Administrative Agent for the benefit of the Lenders with respect to the Real Property that is owned by any of the Loan Parties, or with respect to the Real Property that is leased by any of the Loan Parties and that includes surface rights and significant facilities of any of the Loan Parties, including any amendments thereto but not including any leased office space.

Multiemployer Plan shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

Net Specified Excluded Subsidiary Distribution Amount shall mean, for any period of time, an amount equal to the difference between the Specified Excluded Subsidiary Distributions less the aggregate amount of investments made into any Specified Excluded Subsidiary by any Loan Party.

Non-Consenting Lender shall have the meaning specified in Section 11.1 [Modifications, Amendments or Waivers].

Non-Qualifying Party shall mean any Loan Party that fails for any reason to qualify as an Eligible Contract Participant on the Effective Date of the applicable Swap.

Notes shall mean, collectively, and Note shall mean separately, the promissory notes in the form of Exhibit 1.1(N)(1) evidencing the Revolving Credit Loans, in the form of Exhibit 1.1(N)(2) evidencing the Swing Loan, and in the form of Exhibit 1.1(N)(3) evidencing the Term Loans.

Notices shall have the meaning specified in Section 11.5 [Notices; Effectiveness; Electronic Communication].

NYFRB shall mean the Federal Reserve Bank of New York.

Obligation shall mean any obligation or liability of any of the Loan Parties, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with (i) this Agreement, the Notes, the Letters of Credit, the Administrative Agent's Letter or any other Loan Document whether to the Administrative Agent, any of the Lenders or their Affiliates or other persons provided for under such Loan Documents, (ii) any Lender Provided Interest Rate Hedge, and (iii) any Other Lender Provided Financial Service Products. Notwithstanding anything to the contrary contained in the foregoing, the Obligations shall not include any Excluded Hedge Liabilities.

Official Body shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

Order shall have the meaning specified in Section 2.9.9 [Liability for Acts and Omissions].

Origination Date shall mean the earlier of (i) the date on which the PPP Loan is advanced or (ii) June 30, 2020.

Other Connection Taxes shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient (or an agent or affiliate thereof) and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

Other Lender Provided Financial Service Products shall mean agreements or other arrangements under which any Lender or Affiliate of a Lender provides any of the following products or services to any of the Loan Parties: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH transactions, (f) cash management, including controlled disbursement, accounts or services, (g) foreign currency exchange, or (h) Lender Provided Commodity Hedge.

Other Taxes shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 5.6.2 [Replacement of a Lender]).

Overnight Bank Funding Rate shall mean, for any day, the rate comprised of both overnight federal funds and overnight Eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB, as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Administrative Agent for the purpose of displaying such rate); provided, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; provided, further, that if such rate shall at any time, for any reason, no longer exist, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Borrower.

Participant has the meaning specified in Section 11.8.4 [Participations].

Participant Register shall have the meaning specified in Section 11.8.4 [Participations].

Participation Advance shall have the meaning specified in Section 2.9.3 [Disbursements, Reimbursement].

Paycheck Protection Program shall mean the Paycheck Protection Program of the CARES Act which provides for the forgiveness of a loan under such program for qualified expenses incurred during the period required by such program commencing on the date on which such PPP Loan is advanced.

Payment Date shall mean the first day of each calendar quarter after the date hereof and on the Expiration Date, Maturity Date, or upon acceleration of the Notes.

Payment In Full and Paid In Full shall mean payment in full in cash of the Loans and other Obligations hereunder (other than Unasserted Obligations), termination of the Commitments and expiration or termination of all Letters of Credit or cash collateralization of any unexpired Letters of Credit.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

Pension Plan shall mean at any time an "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA) (including a "multiple employer plan" as described in Sections 4063 and 4064 of ERISA, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 or Section 430 of the Code and either (i) is sponsored, maintained or contributed to by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been sponsored, maintained or contributed to by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group, or in the case of a "multiple employer" or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

Permitted Acquisition shall have the meaning assigned to that term in Section 8.2.6 [Liquidations, Mergers, Consolidations, Acquisitions].

Permitted Investments shall mean:

(i) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(ii) commercial paper maturing in 180 days or less rated not lower than A-1, by Standard & Poor's or P-1 by Moody's Investors Service, Inc. on the date of acquisition;

(iii) demand deposits, time deposits or certificates of deposit maturing within one year in commercial banks whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's on the date of acquisition;

(iv) money market or mutual funds whose investments are limited to those types of investments described in clauses (i) (iii) above;

(v) investments made under the Cash Management Agreements or under cash management agreements with any other Lenders; and

(vi) Permitted Acquisitions.

Permitted Liens shall mean:

(i) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default;

(iv) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(v) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the intended use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens, security interests and mortgages in favor of the Administrative Agent for the benefit of the Lenders and their Affiliates securing the Obligations (including obligations in connection with Lender Provided Interest Rate Hedges and Other Lender Provided Financial Service Products);

(vii) Liens on property leased by any Loan Party or Subsidiary of such Loan Party under capital and operating leases;

(viii) Any Lien existing on the date of this Agreement and described on Schedule 1.1(P), provided that the principal amount secured thereby is not hereafter increased, and no additional assets become subject to such Lien;

(ix) Purchase Money Security Interests; provided that the aggregate amount of loans and deferred payments secured by such Purchase Money Security Interests shall not exceed $5,000,000 (excluding for the purpose of this computation any loans or deferred payments secured by Liens described on Schedule 1.1(P));

(x) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon either has not commenced or have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and in either case they do not in the aggregate, materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty; provided that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Defects of title to, real or personal property;

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens incurred in the ordinary course of business or the ordinary course of construction, and in either case such claims or liens do not result in a Material Adverse Change; or

(4) Liens resulting from final judgments or orders described in Section 9.1.7 [Final Judgments or Orders];

(xi) Judgment Liens not constituting an Event of Default;

(xii) Liens securing Indebtedness that will be repaid with the first advances under this Agreement;

(xiii) Liens existing on any property prior to the acquisition thereof by a Loan Party or any Subsidiary thereof including pursuant to a Permitted Acquisition; provided that (1) such Lien is not created in contemplation of or in connection with such acquisition or such Permitted Acquisition, as applicable, (2) such Lien shall not apply to any other property of the Loan Parties or any Subsidiary thereof and (3) such Lien secures only Indebtedness permitted under Sections 8.2.1(xiii) and 8.2.1(xiv) on the date of such acquisition or Permitted Acquisition, as the case may be;

(xiv) precautionary Liens on accounts receivable and related assets subject to sales or assignments permitted under Section 8.2.7(iv) [Dispositions of Assets or Subsidiaries]; and

(xv) Liens that are replacements of Permitted Liens so long as the replacement Liens only encumber those assets that secured the original Indebtedness.

Person shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

Pledge Agreement shall mean the Pledge Agreement in substantially the form of Exhibit 1.1(P) executed and delivered by the Loan Parties and Hallador Sands and certain of its Subsidiaries to the Administrative Agent for the benefit of the Lenders.

PNC Bank shall mean PNC Bank, National Association, its successors and assigns.

Potential Default shall mean any event or condition which with notice or passage of time, or both, would constitute an Event of Default.

PPP Loan shall mean that certain unsecured, non-recourse covered Indebtedness incurred by a Loan Party under the CARES Act on the Origination Date, in an aggregate principal amount not to exceed $10,000,000.00 at any time outstanding, so long as (a) the proceeds of such Indebtedness are used solely for the purposes intended under the Paycheck Protection Program for expenses incurred in accordance with such plan, (b) such Indebtedness is on terms and conditions required by the terms of the Paycheck Protection Program and (c) the Loan Party shall have provided the Administrative Agent with a certificate promptly upon entering into such Indebtedness, confirming that (i) a true, correct and complete copy of the PPP Loan Documents have been delivered to the Administrative Agent and (ii) the Loan Party intends to use the proceeds of the PPP Loan for purposes which qualify for the forgiveness of such Indebtedness in accordance with the terms of the Paycheck Protection Program.

PPP Loan Documents shall mean those certain loan documents evidencing the PPP Loan.

Pre-Forgiveness Period shall mean the date from and including the Origination Date to and including the date upon which any portion of the aggregate principal amount of the PPP Loan has been determined to be ineligible for forgiveness pursuant to the terms of the CARES Act.

Prime Rate shall mean the interest rate per annum announced from time to time by the Administrative Agent at its Principal Office as its then prime rate, which rate may not be the lowest or most favorable rate then being charged commercial borrowers or others by the Administrative Agent. Any change in the Prime Rate shall take effect at the opening of business on the day such change is announced.

Principal Office shall mean the main banking office of the Administrative Agent in Pittsburgh, Pennsylvania.

Prior Security Interest shall mean a valid and enforceable perfected first-priority security interest under the Uniform Commercial Code in the Collateral which is subject only to statutory Liens for taxes not yet due and payable or Purchase Money Security Interests.

Pro Forma Basis shall mean:

(a) any material investment, Permitted Acquisition or disposition of all or substantially all of the assets or Capital Stock of any Restricted Subsidiary or of any division or product line or coal or other mine or mineral reserves, and any dividend or distribution on, or re-purchases of, Capital Stock of the Borrower made or to be made by any Loan Party during the applicable reference period or subsequent to such reference period and on or prior to the date of determination will be given pro forma effect as if it had occurred on the first day of the applicable reference period;

(b) any Person that is a Restricted Subsidiary on the date of determination will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(c) any Person that is not a Restricted Subsidiary on the date of determination will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(d) Fixed Charges shall be calculated after giving pro forma effect to incurrences and repayments of Indebtedness (other than ordinary course working capital borrowings and repayments under revolving credit facilities) during the applicable reference period or subsequent to such reference period and on or prior to the date of determination to the extent in connection with any transaction referred to in clause (a) above as if it had occurred on the first day of the applicable reference period; and

(e) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the calculation date had been the applicable rate for the entire period (taking into account the effect on such interest rate of any Lender Provided Interest Rate Hedge or Lender Provided Commodity Hedge applicable to such Indebtedness).

For purposes of this definition, whenever pro forma effect is given to a transaction, the pro forma calculations shall be made in good faith by an Authorized Officer of the Borrower and in a manner consistent with Article 11 of Regulation S-X of the Securities Act, as set forth in a certificate of an Authorized Officer of Borrower (with supporting calculations) and reasonably acceptable to the Administrative Agent. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility (to the extent required to be computed on a pro forma basis) shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Borrower may designate. For the avoidance of doubt, Fixed Charges for purposes of calculating Excess Cash Flow shall not be calculated on a Pro Forma Basis.

Published Rate shall mean the rate of interest published each Business Day in *The Wall Street Journal* "Money Rates" listing under the caption "London Interbank Offered Rates" for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the rate at which U.S. dollar deposits are offered by leading banks in the London interbank deposit market for a one month period as published in another publication selected by the Administrative Agent).

Purchase Money Security Interest shall mean Liens upon tangible personal property securing loans (or capital leases) to any Loan Party or Subsidiary of such Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such tangible personal property.

Qualified ECP Loan Party shall mean each Loan Party that on the Eligibility Date is (a) a corporation, partnership, proprietorship, organization, trust, or other entity other than a "commodity pool" as defined in Section 1a(10) of the CEA and CFTC regulations thereunder that has total assets exceeding $10,000,000, or (b) an Eligible Contract Participant that can cause another person to qualify as an Eligible Contract Participant on the Eligibility Date under Section 1a(18)(A)(v)(II) of the CEA by entering into or otherwise providing a "letter of credit or keepwell, support, or other agreement" for purposes of Section 1a(18)(A)(v)(II) of the CEA.

Ratable Share shall mean:

(i) with respect to a Lender's obligation to make Revolving Credit Loans, participate in Letters of Credit and other Letter of Credit Obligations, and receive payments, interest, and fees related thereto, the proportion that such Lender's Revolving Credit Commitment bears to the Revolving Credit Commitments of all of the Lenders, provided however that if the Revolving Credit Commitments have terminated or expired, the Ratable Shares for purposes of this clause shall be determined based upon the Revolving Credit Commitments most recently in effect, giving effect to any assignments.

(ii) with respect to a Lender's obligation to make Term Loans and receive payments, interest, and fees related thereto, the proportion that such Lender's Term Loans bears to the Term Loans of all of the Lenders.

(iii) with respect to all other matters as to a particular Lender, the percentage obtained by dividing (i) such Lender's Revolving Credit Commitment plus Term Loan Commitment, by (ii) the sum of the aggregate amount of the Revolving Credit Commitments plus Term Loans of all Lenders; provided however that if the Revolving Credit Commitments have terminated or expired, the computation in this clause shall be determined based upon the Revolving Credit Commitments most recently in effect, giving effect to any assignments, and not on the current amount of the Revolving Credit Commitments and provided further in the case of Section 2.10 [Defaulting Lenders] when a Defaulting Lender shall exist, "Ratable Share" shall mean the percentage of the aggregate Commitments (disregarding any Defaulting Lender's Commitment) represented by such Lender's Commitment.

Real Property shall mean all interests in real property, both owned and leased, and the surface, coal, and mineral rights, interests, licenses, easements, right of ways, water rights, coal leases, and other interests of each Loan Party (other than Summit Terminal) associated with the properties described on Schedule 1.1(R), which shall be encumbered by a Mortgage, as described on Schedule 1.1(R).

Recipient shall mean (i) the Administrative Agent, (ii) any Lender and (iii) the Issuing Lender, as applicable.

Regulated Substances shall mean, without limitation, any substance, material or waste, regardless of its form or nature, defined under Environmental Laws as a "hazardous substance", "pollutant", "pollution", "contaminant", "hazardous or toxic substance", "extremely hazardous substance", "toxic chemical", "toxic substance", "toxic waste", "hazardous waste", "special handling waste", "industrial waste", "residual waste", "solid waste", "municipal waste", "mixed waste", "infectious waste", "chemotherapeutic waste", "medical waste", "regulated substance" or any other material, substance or waste, regardless of its form or nature, which otherwise is regulated by Environmental Laws.

Reimbursement Obligation shall have the meaning specified in Section 2.9.3 [Disbursements, Reimbursement].

Related Parties shall mean, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

Relief Proceeding shall mean any proceeding seeking a decree or order for relief in respect of any Loan Party or Subsidiary of a Loan Party in a voluntary or involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or Subsidiary of a Loan Party for any substantial part of its property, or for the winding-up or liquidation of its affairs, or an assignment for the benefit of its creditors.

Reportable Compliance Event shall mean that any Covered Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint or similar charging instrument, arraigned, or custodially detained in connection with any Anti-Terrorism Law or any predicate crime to any Anti-Terrorism Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations is in actual or probable violation of any Anti-Terrorism Law.

Required Environmental Notices shall mean all notices, reports, plans, forms or other filings which are required pursuant to Environmental Laws or Required Environmental Permits to be submitted to an Official Body or which otherwise must be maintained.

Required Environmental Permits shall mean all permits, licenses, bonds, consents, approvals or authorizations required under Environmental Laws to own, occupy or maintain the Real Property.

Required Lenders shall mean

(A) If there exists fewer than three (3) Lenders, all Lenders (other than any Defaulting Lender), and

(B) If there exist three (3) or more Lenders, Lenders (other than any Defaulting Lender) having more than 50% of the sum of (a) the aggregate amount of the Revolving Credit Commitments of the Lenders (excluding any Defaulting Lender) or, after the termination of the Revolving Credit Commitments, the outstanding Revolving Credit Loans and Ratable Share of Letter of Credit Obligations of the Lenders (excluding any Defaulting Lender), and (b) the aggregate outstanding amount of any Term Loans.

Required Mining Permits shall mean all permits, licenses, authorizations, plans, approvals and bonds necessary under the Environmental Laws for the Loan Parties or any Subsidiary to continue to conduct coal mining and related operations on, in or under the Real Property, and any and all other mining properties owned or leased by any such Loan Party or Subsidiary (collectively "Mining Property") substantially in the manner as such operations had been authorized immediately prior to such Loan Party's acquisition of its interests in the Real Property and as may be necessary for such Loan Party to conduct coal mining and related operations on, in or under the Mining Property as described in any plan of operation.

Required Share shall have the meaning assigned to such term in Section 5.11 [Settlement Date Procedures].

Restricted Subsidiaries shall mean any and all existing and hereinafter acquired or created Subsidiaries of the Borrower or any other Loan Party other than the Excluded Subsidiaries.

Revolver Lenders shall mean the financial institutions named on Schedule 1.1(B) and their respective successors and assigns as permitted hereunder and designated as having a Revolving Credit Loan Commitment, each of which is referred to herein as a Revolver Lender.

Revolving Credit Commitment shall mean, as to any Lender at any time, the amount initially set forth opposite its name on Schedule 1.1(B) in the column labeled "Amount of Commitment for Revolving Credit Loans," as such Commitment is thereafter assigned or modified, and Revolving Credit Commitments shall mean the aggregate Revolving Credit Commitments of all of the Lenders.

Revolving Credit Loans shall mean collectively and Revolving Credit Loan shall mean separately all Revolving Credit Loans or any Revolving Credit Loan made by the Lenders or one of the Lenders to the Borrower pursuant to Section 2.1 [Revolving Credit Commitments] or 2.9.3 [Disbursements, Reimbursement].

Revolving Facility Usage shall mean at any time the sum of the outstanding Revolving Credit Loans, Swing Loans and the Letter of Credit Obligations.

Sanctioned Country shall mean a country subject to a sanctions program maintained under any Anti-Terrorism Law.

Sanctioned Person shall mean any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person, group, regime, entity or thing, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any Anti-Terrorism Law.

SBA means the U.S. Small Business Administration or any successor agency.

Second Amendment shall mean that certain Second Amendment to Credit Agreement dated as of the Second Amendment Closing Date.

Second Amendment Closing Date shall mean September 30, 2019.

Securities Act shall mean the Securities Act of 1933.

Security Agreement shall mean the Security Agreement in substantially the form of Exhibit 1.1(S) executed and delivered by each of the Loan Parties to the Administrative Agent for the benefit of the Lenders.

Security Documents shall mean the Security Agreement, the Pledge Agreement, the Collateral Assignment, the Mortgages, deeds of trust, and all other documents, instruments, and agreements sufficient to provide the Administrative Agent for the benefit of the Lenders with a first priority perfected Lien, subject only to Permitted Liens, on the Collateral.

Settlement Date shall mean any Business Day on which the Administrative Agent elects to effect settlement pursuant to Section 5.11 [Settlement Date Procedures].

Solvent shall mean, with respect to any Person on any date of determination, taking into account any right of reimbursement, contribution or similar right available to such Person from other Persons, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

Specified Excluded Subsidiaries shall mean (i) Hallador Sands and its Subsidiaries and (ii) Hallador Renewables and its Subsidiaries.

Specified Excluded Subsidiary Distributions shall mean 100% of any cash distribution received by a Loan Party from any Specified Excluded Subsidiary, except for such distributions paid with respect to tax liabilities that have accrued due to such party's ownership of any Specified Excluded Subsidiary.

Specified Excluded Subsidiary Investee at any time shall mean any corporation, trust, partnership, any limited liability company or other business entity of which 50% or less (but greater than zero) of the outstanding voting securities or other interests normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by a Specified Excluded Subsidiary.

Standard & Poor's shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Statements shall have the meaning specified in Section 6.1.6(i) [Historical Statements].

Subsidiary of any Person at any time shall mean any corporation, trust, partnership, any limited liability company or other business entity (i) of which more than 50% of the outstanding voting securities or other interests normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, or (ii) which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries.

Subsidiary Equity Interests shall have the meaning specified in Section 6.1.2 [Subsidiaries and Owners; Investment Companies].

Summit Terminal shall mean Summit Terminal, LLC, a Delaware limited liability company.

Swap shall mean any "swap" as defined in Section 1a(47) of the CEA and regulations thereunder, other than (a) a swap entered into, or subject to the rules of, a board of trade designated as a contract market under Section 5 of the CEA, or (b) a commodity option entered into pursuant to CFTC Regulation 32.3(a).

Swap Obligation shall mean any obligation to pay or perform under any agreement, contract or transaction that constitutes a Swap which is also a Lender Provided Interest Rate Hedge or Lender Provided Commodity Hedge.

Swing Loan Commitment shall mean PNC Bank's commitment to make Swing Loans to the Borrower pursuant to Section 2.1.2 [Swing Loan Commitment] hereof in an aggregate principal amount up to $15,000,000.

Swing Loan Lender shall mean PNC Bank, in its capacity as a lender of Swing Loans.

Swing Loan Note shall mean the Swing Loan Note of the Borrower in the form of Exhibit 1.1(N)(2) evidencing the Swing Loans, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Swing Loan Request shall mean a request for Swing Loans made in accordance with Section 2.5.2 [Swing Loan Request] hereof.

Swing Loans shall mean collectively and Swing Loan shall mean separately all Swing Loans or any Swing Loan made by PNC Bank to the Borrower pursuant to Section 2.1.2 [Swing Loan Commitment] hereof.

Taxes shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholdings), assessments, fees or other charges imposed by any Official Body, including any interest, additions to tax or penalties applicable thereto.

Term Loan shall have the meaning specified in Section 3.1 [Term Loan Commitments]; Term Loans shall mean collectively all of the Term Loans.

Term Loan Commitment shall mean, as to any Lender at any time, the amount initially set forth opposite its name on Schedule 1.1(B) in the column labeled "Amount of Commitment for Term Loans," as such Commitment is thereafter assigned or modified, and Term Loan Commitments shall mean the aggregate Term Loan Commitments of all of the Lenders.

Term Loan Lenders shall mean the financial institutions named on Schedule 1.1 (B) (as amended or supplemented from time to time) and their respective successors and assigns as permitted hereunder and designated as having a Term Loan Commitment, each of which is referred to herein as a Term Loan Lender.

Third Amendment shall mean that certain Third Amendment to Credit Agreement dated as of the Third Amendment Closing Date.

Third Amendment Closing Date shall mean April 15, 2020.

UCP shall have the meaning specified in Section 11.11.1 [Governing Law].

Unasserted Obligations shall mean contingent indemnification obligations (other than Letter of Credit Obligations) under the Loan Documents to the extent no claim giving rise thereto has been asserted.

USA Patriot Act shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

U.S. Person shall mean any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

U.S. Tax Compliance Certificate shall have the meaning specified in Section 5.9.7 [Status of Lenders].

Weighted Average Life to Maturity means, when applied to any Indebtedness on any date, the number of years obtained by dividing: (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by (b) the then outstanding principal amount of such Indebtedness.

Withholding Agent shall mean any Loan Party and the Administrative Agent.

Write-Down and Conversion Powers means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 Construction. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents: (i) references to the plural include the singular, the plural, the part and the whole and the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; (ii) the words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole; (iii) article, section, subsection, clause, schedule and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified; (iv) reference to any Person includes such Person's successors and assigns; (v) reference to any agreement, including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto, document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated; (vi) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; (vii) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (viii) section headings herein and in each other Loan Document are included for convenience and shall not affect the interpretation of this Agreement or such Loan Document, and (ix) unless otherwise specified, all references herein to times of day shall be references to Eastern Standard Time or Eastern Daylight Time, as applicable.

1.3 Accounting Principles; Changes in GAAP. Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Section 8.2 [Negative Covenants] (and all defined terms used in the definition of any accounting term used in Section 8.2 [Negative Covenants] shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing Statements referred to in Section 6.1.6(i) [Historical Statements]. Notwithstanding the foregoing, if the Borrower notifies the Administrative Agent in writing that the Borrower wishes to amend any financial covenant in Section 8.2 [Negative Covenants] of this Agreement, any related definition and/or the definition of the term Leverage Ratio for purposes of interest and Letter of Credit Fee determinations to eliminate the effect of any change in GAAP occurring after the Closing Date on the operation of such financial covenants and/or interest or Letter of Credit Fee determinations (or if the Administrative Agent notifies the Borrower in writing that the Required Lenders wish to amend any financial covenant in Section 8.2 [Negative Covenants], any related definition and/or the definition of the term Leverage Ratio for purposes of interest and Letter of Credit Fee determinations to eliminate the effect of any such change in GAAP), then the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratios or requirements to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, the Loan Parties' compliance with such covenants and/or the definition of the term Leverage Ratio for purposes of interest and Letter of Credit Fee determinations shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenants or definitions are amended in a manner satisfactory to the Borrower and the Required Lenders, and the Loan Parties shall provide to the Administrative Agent, when they deliver their financial statements pursuant to Sections 8.3.1 [Quarterly Financial Statements] and 8.3.2 [Annual Financial Statements] of this Agreement, such reconciliation statements as shall be reasonably requested by the Administrative Agent.

1.4 LIBOR Notification. Section 4.5.4 [Successor LIBOR Rate Index] of this Agreement provides a mechanism for determining an alternative rate of interest in the event that the London interbank offered rate is no longer available or in certain other circumstances. The Administrative Agent will notify the Borrower that the Administrative Agent has determined that the circumstances under Section 4.5.4(i) exist as promptly as practicable thereafter and in advance of any change to the reference rate upon which the interest rate on Loans under the LIBOR Rate Option is based. The Administrative Agent does not warrant or accept any responsibility for and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "LIBOR Rate" or with respect to any alternative or successor rate thereto, or replacement rate therefor.

2. REVOLVING CREDIT AND SWING LOAN FACILITIES

2.1 Revolving Credit Commitments.

2.1.1 Revolving Credit Loans. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Lender severally agrees to make Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Expiration Date; provided that after giving effect to such Loan (i) the aggregate amount of Revolving Credit Loans from such Lender shall not exceed such Lender's Revolving Credit Commitment minus such Lender's Ratable Share of the outstanding Swing Loans and Letter of Credit Obligations and (ii) the Revolving Facility Usage shall not exceed the Revolving Credit Commitments. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.

2.1.2 Swing Loan Commitment. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, and in order to facilitate loans and repayments between Settlement Dates, PNC Bank may, at its option, cancelable at any time for any reason whatsoever, make swing loans (the "**Swing Loans**") to the Borrower at any time or from time to time after the date hereof to, but not including, the Expiration Date, in an aggregate principal amount up to but not in excess of the Swing Loan Commitment, provided that the aggregate principal amount of PNC Bank's Swing Loans and the Revolving Credit Loans of all the Lenders at any one time outstanding shall not exceed the Revolving Credit Commitments of all the Lenders. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.2.

2.2 Nature of Lenders' Obligations with Respect to Revolving Credit Loans. Each Lender shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.5 [Revolving Credit Loan Requests; Swing Loan Requests] in accordance with its Ratable Share. The aggregate of each Lender's Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Revolving Credit Commitment minus its Ratable Share of the outstanding Swing Loans and Letter of Credit Obligations. The obligations of each Lender hereunder are several. The failure of any Lender to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Lender to perform its obligations hereunder. The Lenders shall have no obligation to make Revolving Credit Loans hereunder on or after the Expiration Date.

2.3 Commitment Fees. Accruing from the date hereof until the Expiration Date, the Borrower agrees to pay to the Administrative Agent for the account of each Lender according to its Ratable Share, a nonrefundable commitment fee (the "**Commitment Fee**") equal to the Applicable Commitment Fee Rate (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) times the average daily difference between the amount of (i) the Revolving Credit Commitments and (ii) the Revolving Facility Usage (provided however, that solely in connection with determining the share of each Lender in the Commitment Fee, the Revolving Facility Usage with respect to the portion of the Commitment Fee allocated to PNC shall include the full amount of the outstanding Swing Loans, and with respect to the portion of the Commitment Fee allocated by the Administrative Agent to all of the Lenders other than PNC, such portion of the Commitment Fee shall be calculated (according to each such Lender's Ratable Share) as if the Revolving Facility Usage excludes the outstanding Swing Loans); provided, further, that any Commitment Fee accrued with respect to the Revolving Credit Commitment of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender except to the extent that such Commitment Fee shall otherwise have been due and payable by the Borrower prior to such time; and provided further that no Commitment Fee shall accrue with respect to the Revolving Credit Commitment of a Defaulting Lender so long as such Lender shall be a Defaulting Lender. Subject to the proviso in the directly preceding sentence, all Commitment Fees shall be payable in arrears on each Payment Date.

2.4 Reduction or Termination of Revolving Credit Commitments. The Borrower shall have the right, upon not less than three (3) Business Days' notice to the Administrative Agent, from time to time, to terminate or reduce the aggregate amount of the Revolving Credit Commitments (ratably among the Lenders in proportion to their Ratable Shares); provided that no such reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans made on the effective date thereof, the Revolving Facility Usage would exceed the aggregate Revolving Credit Commitments of the Lenders. Any such reduction shall be in an amount equal to $10,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Credit Commitments then in effect. Any such termination or reduction shall be accompanied by prepayment of the Notes, together with outstanding Commitment Fees, and the full amount of interest accrued on the principal sum to be prepaid (and all amounts referred to in Section 5.10 [Indemnity] hereof) to the extent necessary to cause the aggregate Revolving Facility Usage after giving effect to such prepayments to be equal to or less than the Revolving Credit Commitments as so reduced or terminated. Any notice to terminate or reduce the Revolving Credit Commitments under this Section 2.4 shall be irrevocable.

2.5 Revolving Credit Loan Requests; Swing Loan Requests.

2.5.1 Revolving Credit Loan Requests. Except as otherwise provided herein (and subject to Section 4.6 [Selection of Interest Rate Options]), the Borrower may from time to time prior to the Expiration Date request the Lenders to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 4.3 [Interest Periods], by delivering to the Administrative Agent, not later than 10:00 a.m., (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the LIBOR Rate Option applies or the conversion to or the renewal of the LIBOR Rate Option for any Loans; and (ii) one (1) Business Day prior to either the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Base Rate Option for any Loan, of a duly completed request therefor substantially in the form of Exhibit 2.5.1 or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "**Loan Request**"), it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify the aggregate amount of the proposed Loans comprising each Borrowing Tranche, and, if applicable, the Interest Period, which amounts shall be in integral multiples of $500,000 and not less than $1,000,000 for each Borrowing Tranche under the LIBOR Rate Option and in integral multiples of $100,000 and not less than the lesser of $500,000 or the maximum amount available for Borrowing Tranches under the Base Rate Option.

2.5.2 Swing Loan Requests. Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request PNC Bank to make Swing Loans by delivery to PNC Bank not later than 12:00 p.m. Pittsburgh time on the proposed Borrowing Date of a duly completed request therefor substantially in the form of Exhibit 2.5.2 hereto or a request by telephone immediately confirmed in writing by letter, facsimile or telex (each, a "**Swing Loan Request**"), it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Swing Loan Request shall be irrevocable and shall specify the proposed Borrowing Date and the principal amount of such Swing Loan, which shall be not less than $100,000.

2.6 Making Revolving Credit Loans and Swing Loans; Presumptions by the Administrative Agent; Repayment of Revolving Credit Loans; Borrowings to Repay Swing Loans.

2.6.1 Making Revolving Credit Loans. The Administrative Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.5 [Revolving Credit Loan Requests; Swing Loan Requests], notify the Lenders of its receipt of such Loan Request specifying the information provided by the Borrower and the apportionment among the Lenders of the requested Revolving Credit Loans as determined by the Administrative Agent in accordance with Section 2.2 [Nature of Lenders' Obligations with Respect to Revolving Credit Loans]. Each Lender shall remit the principal amount of each Revolving Credit Loan to the Administrative Agent such that the Administrative Agent is able to, and the Administrative Agent shall, to the extent the Lenders have made funds available to it for such purpose and subject to Section 7.2 [Each Loan or Letter of Credit], fund such Revolving Credit Loans to the Borrower in U.S. Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., on the applicable Borrowing Date; provided that if any Lender fails to remit such funds to the Administrative Agent in a timely manner, the Administrative Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Lender on such Borrowing Date, and such Lender shall be subject to the repayment obligation in Section 2.6.2 [Presumptions by the Administrative Agent].

2.6.2 Presumptions by the Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Loan that such Lender will not make available to the Administrative Agent such Lender's share of such Loan, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.6.1 [Making Revolving Credit Loans] and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Loan available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (ii) in the case of a payment to be made by the Borrower, the interest rate applicable to Loans under the Base Rate Option. If such Lender pays its share of the applicable Loan to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

2.6.3 Making Swing Loans. So long as PNC Bank elects to make Swing Loans, PNC Bank shall, after receipt by it of a Swing Loan Request pursuant to Section 2.5.2, [Swing Loan Requests] fund such Swing Loan to the Borrower in U.S. Dollars and immediately available funds at the Principal Office prior to 2:00 p.m. Pittsburgh time on the Borrowing Date.

2.6.4 Repayment of Revolving Credit Loans. The Borrower shall repay the Revolving Credit Loans together with all outstanding interest thereon on the Expiration Date.

2.6.5 Borrowings to Repay Swing Loans. PNC Bank may, at its option, exercisable at any time for any reason whatsoever, demand repayment of the Swing Loans, and each Lender shall make a Revolving Credit Loan in an amount equal to such Lenders' Ratable Share of the aggregate principal amount of the outstanding Swing Loans, plus, if PNC Bank so requests, accrued interest thereon, provided that no Lender shall be obligated in any event to make Revolving Credit Loans in excess of its Revolving Credit Commitment minus its Ratable Share of Letter of Credit Obligations. Revolving Credit Loans made pursuant to the preceding sentence shall bear interest at the Base Rate Option and shall be deemed to have been properly requested in accordance with Section 2.5.1 [Revolving Credit Loan Requests] without regard to any of the requirements of that provision. PNC Bank shall provide notice to the Lenders (which may be telephonic or written notice by letter, facsimile or telex) that such Revolving Credit Loans are to be made under this Section 2.6.5 and of the apportionment among the Lenders, and the Lenders shall be unconditionally obligated to fund such Revolving Credit Loans (whether or not the conditions specified in Section 2.5.1 [Revolving Credit Loan Requests] are then satisfied) by the time PNC Bank so requests, which shall not be earlier than 3:00 p.m. Pittsburgh time on the Business Day next after the date the Lenders receive such notice from PNC Bank.

2.6.6 Swing Loans Under Cash Management Agreements. In addition to making Swing Loans pursuant to the foregoing provisions of Section 2.6.3 [Making Swing Loans], without the requirement for a specific request from the Borrower pursuant to Section 2.5.2 [Swing Loan Requests], PNC Bank may make Swing Loans to the Borrower in accordance with the provisions of the agreements between the Borrower and PNC Bank relating to the Borrower's deposit, sweep and other accounts at PNC Bank and related arrangements and agreements regarding the management and investment of the Borrower's cash assets as in effect from time to time (the "**Cash Management Agreements**") to the extent of the daily aggregate net negative balance in the Borrower's accounts which are subject to the provisions of the Cash Management Agreements. Swing Loans made pursuant to this Section 2.6.6 in accordance with the provisions of the Cash Management Agreements shall (i) be subject to the limitations as to aggregate amount set forth in Section 2.1.2 [Swing Loan Commitment], (ii) not be subject to the limitations as to individual amount set forth in Section 2.5.2 [Swing Loan Requests], (iii) be payable by the Borrower, both as to principal and interest, at the rates and times set forth in the Cash Management Agreements (but in no event later than the Expiration Date), (iv) not be made at any time after PNC Bank has received written notice of the occurrence of an Event of Default and so long as such Event of Default shall continue to exist, or, unless consented to by the Required Lenders, a Potential Default and so long as such shall continue to exist, (v) if not repaid by the Borrower in accordance with the provisions of the Cash Management Agreements, be subject to each Lender's obligation pursuant to Section 2.6.5 [Borrowings to Repay Swing Loans], and (vi) except as provided in the foregoing subsections (i) through (v), be subject to all of the terms and conditions of this Section 2.6.6.

2.7 Notes. The Obligation of the Borrower to repay the aggregate unpaid principal amount of the Revolving Credit Loans and Swing Loans made to it by each Lender, together with interest thereon, shall be evidenced by a revolving credit Note and a swing Note, dated the Closing Date payable to the order of such Lender in a face amount equal to the Revolving Credit Commitment or Swing Loan Commitment, as applicable, of such Lender.

2.8 Use of Proceeds. The proceeds of the Loans shall be used to refinance existing Indebtedness under the 2014 Credit Agreement and for general corporate purposes including ongoing working capital, capital expenditures, Permitted Acquisitions and to pay fees and expenses related to the closing of this Agreement.

2.9 Letter of Credit Subfacility.

2.9.1 Issuance of Letters of Credit. On the Closing Date, the outstanding letters of credit previously issued by any Lender under the 2014 Credit Agreement that are set forth on Schedule 2.9 (the "Existing Letters of Credit") will automatically, without any action on the part of any Person, be deemed to be Letters of Credit issued hereunder for the account of the Borrower for all purposes of this Agreement and the other Loan Documents. Borrower may at any time prior to the Expiration Date request the issuance of a standby or trade letter of credit (each a "**Letter of Credit**") on behalf of itself or another Loan Party, or the amendment or extension of an existing Letter of Credit, by delivering or having such other Loan Party deliver to the Issuing Lender (with a copy to the Administrative Agent) a completed application and agreement for letters of credit, or request for such amendment or extension, as applicable, in such form as the Issuing Lender may specify from time to time by no later than 10:00 a.m. at least five (5) Business Days, or such shorter period as may be agreed to by the Issuing Lender, in advance of the proposed date of issuance. Promptly after receipt of any letter of credit application, the Issuing Lender shall confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit application and if not, such Issuing Lender will provide Administrative Agent with a copy thereof.

Unless the Issuing Lender has received notice from any Lender, Administrative Agent or any Loan Party, at least one day prior to the requested date of issuance, amendment or extension of the applicable Letter of Credit, that one or more applicable conditions in Section 7 [Conditions of Lending and Issuance of Letters of Credit] is not satisfied, then, subject to the terms and conditions hereof and in reliance on the agreements of the other Lenders set forth in this Section 2.9, the Issuing Lender or any of the Issuing Lender's Affiliates will issue a Letter of Credit or agree to such amendment or extension, provided that each Letter of Credit shall (A) have a maximum maturity of twelve (12) months from the date of issuance, and (B) in no event expire later than the Expiration Date and provided further that in no event shall (i) the Letter of Credit Obligations exceed, at any one time, $25,000,000 (the "**Letter of Credit Sublimit**") or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments. Each request by the Borrower for the issuance, amendment or extension of a Letter of Credit shall be deemed to be a representation by the Borrower that it shall be in compliance with the preceding sentence and with Section 7 [Conditions of Lending and Issuance of Letters of Credit] after giving effect to the requested issuance, amendment or extension of such Letter of Credit. Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to the beneficiary thereof, the applicable Issuing Lender will also deliver to Borrower and Administrative Agent a true and complete copy of such Letter of Credit or amendment.

Notwithstanding Section 2.9.1, the Issuing Lender shall not be under any obligation to issue any Letter of Credit if (i) any order, judgment or decree of any Official Body or arbitrator shall by its terms purport to enjoin or restrain the Issuing Lender from issuing the Letter of Credit, or any Law applicable to the Issuing Lender or any request or directive (whether or not having the force of law) from any Official Body with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally or the Letter of Credit in particular or shall impose upon the Issuing Lender with respect to the Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Lender in good faith deems material to it, or (ii) the issuance of the Letter of Credit would violate one or more policies of the Issuing Lender applicable to letters of credit generally.

2.9.2 Letter of Credit Fees. The Borrower shall pay (i) to the Administrative Agent for the ratable account of the Lenders a fee (the "**Letter of Credit Fee**") equal to the Applicable Letter of Credit Fee Rate, and (ii) to the Issuing Lender for its own account a fronting fee equal to 0.25% per annum (in each case computed on the basis of a year of 360 days and actual days elapsed), which fees shall be computed on the daily average Letter of Credit Obligations and shall be payable quarterly in arrears on each Payment Date following issuance of each Letter of Credit. The Borrower shall also pay to the Issuing Lender for the Issuing Lender's sole account the Issuing Lender's then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as the Issuing Lender may generally charge or incur from time to time in connection with the issuance, maintenance, amendment (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit.

2.9.3 Disbursements, Reimbursement. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Lender a participation in such Letter of Credit (including the Existing Letters of Credit) and each drawing thereunder in an amount equal to such Lender's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

2.9.3.1 In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Issuing Lender will promptly notify the Borrower and the Administrative Agent thereof. Provided that it shall have received such notice, the Borrower shall reimburse (such obligation to reimburse the Issuing Lender shall sometimes be referred to as a "**Reimbursement Obligation**") the Issuing Lender prior to 12:00 noon, Pittsburgh time on each date that an amount is paid by the Issuing Lender under any Letter of Credit (each such date, a "**Drawing Date**") by paying to the Administrative Agent for the account of the Issuing Lender an amount equal to the amount so paid by the Issuing Lender. In the event the Borrower fails to reimburse the Issuing Lender (through the Administrative Agent) for the full amount of any drawing under any Letter of Credit by 12:00 noon, Pittsburgh time, on the Drawing Date, the Administrative Agent will promptly notify each Lender thereof, and the Borrower shall be deemed to have requested that Revolving Credit Loans be made by the Lenders under the Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the Revolving Credit Commitment and subject to the conditions set forth in Section 7.2 [Each Loan or Letter of Credit] other than any notice requirements. Any notice given by the Administrative Agent or Issuing Lender pursuant to this Section 2.9.3.1 may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

2.9.3.2 Each Lender shall upon any notice pursuant to Section 2.9.3.1 make available to the Administrative Agent for the account of the Issuing Lender an amount in immediately available funds equal to its Ratable Share of the amount of the drawing, whereupon the participating Lenders shall (subject to Section 2.9.3 [Disbursement; Reimbursement]) each be deemed to have made a Revolving Credit Loan under the Base Rate Option to the Borrower in that amount. If any Lender so notified fails to make available to the Administrative Agent for the account of the Issuing Lender the amount of such Lender's Ratable Share of such amount by no later than 2:00 p.m., Pittsburgh time on the Drawing Date, then interest shall accrue on such Lender's obligation to make such payment, from the Drawing Date to the date on which such Lender makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three (3) days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Loans under the Base Rate Option on and after the fourth day following the Drawing Date. The Administrative Agent and the Issuing Lender will promptly give notice (as described in Section 2.9.3.1 above) of the occurrence of the Drawing Date, but failure of the Administrative Agent or the Issuing Lender to give any such notice on the Drawing Date or in sufficient time to enable any Lender to effect such payment on such date shall not relieve such Lender from its obligation under this Section 2.9.3.2.

2.9.3.3 With respect to any unreimbursed drawing that is not converted into Revolving Credit Loans under the Base Rate Option to the Borrower in whole or in part as contemplated by Section 2.9.3.1, because of the Borrower's failure to satisfy the conditions set forth in Section 7.2 [Each Loan or Letter of Credit] other than any notice requirements, or for any other reason, the Borrower shall be deemed to have incurred from the Issuing Lender a borrowing (each a "**Letter of Credit Borrowing**") in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the Revolving Credit Loans under the Base Rate Option. Each Lender's payment to the Administrative Agent for the account of the Issuing Lender pursuant to Section 2.9.3 [Disbursements, Reimbursement] shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing (each a "**Participation Advance**") from such Lender in satisfaction of its participation obligation under this Section 2.9.3.

2.9.4 Repayment of Participation Advances.

2.9.4.1 Upon (and only upon) receipt by the Administrative Agent for the account of the Issuing Lender of immediately available funds from the Borrower (i) in reimbursement of any payment made by the Issuing Lender under the Letter of Credit with respect to which any Lender has made a Participation Advance to the Administrative Agent, or (ii) in payment of interest on such a payment made by the Issuing Lender under such a Letter of Credit, the Administrative Agent on behalf of the Issuing Lender will pay to each Lender, in the same funds as those received by the Administrative Agent, the amount of such Lender's Ratable Share of such funds, except the Administrative Agent shall retain for the account of the Issuing Lender the amount of the Ratable Share of such funds of any Lender that did not make a Participation Advance in respect of such payment by the Issuing Lender.

2.9.4.2 If the Administrative Agent is required at any time to return to any Loan Party, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of any payment made by any Loan Party to the Administrative Agent for the account of the Issuing Lender pursuant to this Section in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Lender shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent for the account of the Issuing Lender the amount of its Ratable Share of any amounts so returned by the Administrative Agent plus interest thereon from the date such demand is made to the date such amounts are returned by such Lender to the Administrative Agent, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

2.9.5 Documentation. Each Loan Party agrees to be bound by the terms of the Issuing Lender's application and agreement for letters of credit and the Issuing Lender's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Loan Party's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, the Issuing Lender shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.9.6 Determinations to Honor Drawing Requests. In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the Issuing Lender shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

2.9.7 Nature of Participation and Reimbursement Obligations. Each Lender's obligation in accordance with this Agreement to make the Revolving Credit Loans or Participation Advances, as contemplated by Section 2.9.3 [Disbursements, Reimbursement], as a result of a drawing under a Letter of Credit, and the Obligations of the Borrower to reimburse the Issuing Lender upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.9 under all circumstances, including the following circumstances:

(i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Lender or any of its Affiliates, the Borrower or any other Person for any reason whatsoever, or which any Loan Party may have against the Issuing Lender or any of its Affiliates, any Lender or any other Person for any reason whatsoever;

(ii) the failure of any Loan Party or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in Sections 2.1 [Revolving Credit Commitments], 2.5 [Revolving Credit Loan Requests; Swing Loan Requests], 2.6 [Making Revolving Credit Loans and Swing Loans; Etc.] or 7.2 [Each Loan or Letter of Credit] or as otherwise set forth in this Agreement for the making of a Revolving Credit Loan, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Lenders to make Participation Advances under Section 2.9.3 [Disbursements, Reimbursement];

(iii) any lack of validity or enforceability of any Letter of Credit;

(iv) any claim of breach of warranty that might be made by any Loan Party or any Lender against any beneficiary of a Letter of Credit, or the existence of any claim, set-off, recoupment, counterclaim, crossclaim, defense or other right which any Loan Party or any Lender may have at any time against a beneficiary, successor beneficiary any transferee or assignee of any Letter of Credit or the proceeds thereof (or any Persons for whom any such transferee may be acting), the Issuing Lender or its Affiliates or any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);

(v) the lack of power or authority of any signer of (or any defect in or forgery of any signature or endorsement on) or the form of or lack of validity, sufficiency, accuracy, enforceability or genuineness of any draft, demand, instrument, certificate or other document presented under or in connection with any Letter of Credit, or any fraud or alleged fraud in connection with any Letter of Credit, or the transport of any property or provision of services relating to a Letter of Credit, in each case even if the Issuing Lender or any of its Affiliates has been notified thereof;

(vi) payment by the Issuing Lender or any of its Affiliates under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(vii) the solvency of, or any acts or omissions by, any beneficiary of any Letter of Credit, or any other Person having a role in any transaction or obligation relating to a Letter of Credit, or the existence, nature, quality, quantity, condition, value or other characteristic of any property or services relating to a Letter of Credit;

(viii) any failure by the Issuing Lender or any of its Affiliates to issue any Letter of Credit in the form requested by any Loan Party, unless the Issuing Lender has received written notice from such Loan Party of such failure within three Business Days after the Issuing Lender shall have furnished such Loan Party and the Administrative Agent a copy of such Letter of Credit and such error is material and no drawing has been made thereon prior to receipt of such notice;

(ix) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;

(x) any breach of this Agreement or any other Loan Document by any party thereto;

(xi) the occurrence or continuance of an Insolvency Proceeding with respect to any Loan Party;

(xii) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;

(xiii) the fact that the Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated; and

(xiv) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.9.8 Indemnity. The Borrower hereby agrees to protect, indemnify, pay and save harmless the Issuing Lender and any of its Affiliates that has issued a Letter of Credit from and against any and all claims, demands, liabilities, damages, taxes, penalties, interest, judgments, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Issuing Lender or any of its Affiliates may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of the Issuing Lender as determined by a final non-appealable judgment of a court of competent jurisdiction or (B) the wrongful dishonor by the Issuing Lender or any of Issuing Lender's Affiliates of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Official Body.

2.9.9 Liability for Acts and Omissions. As between any Loan Party and the Issuing Lender, or the Issuing Lender's Affiliates, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Issuing Lender shall not be responsible for any of the following, including any losses or damages to any Loan Party or other Person or property relating therefrom: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Issuing Lender or its Affiliates shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Loan Party against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Loan Party and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Issuing Lender or the its Affiliates, as applicable, including any act or omission of any Official Body, and none of the above shall affect or impair, or prevent the vesting of, any of the Issuing Lender's or its Affiliates rights or powers hereunder. Nothing in the preceding sentence shall relieve the Issuing Lender from liability for the Issuing Lender's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence. In no event shall the Issuing Lender or its Affiliates be liable to any Loan Party for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Letter of Credit.

Without limiting the generality of the foregoing, the Issuing Lender and each of its Affiliates (i) may rely on any oral or other communication believed in good faith by the Issuing Lender or such Affiliate to have been authorized or given by or on behalf of the applicant for a Letter of Credit, (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Letter of Credit; (iii) may honor a previously dishonored presentation under a Letter of Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by the Issuing Lender or its Affiliate; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being delivered separately), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Letter of Credit; (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located; and (vi) may settle or adjust any claim or demand made on the Issuing Lender or its Affiliate in any way related to any order issued at the applicant's request to an air carrier, a letter of guarantee or of indemnity issued to a carrier or any similar document (each an "**Order**") and honor any drawing in connection with any Letter of Credit that is the subject of such Order, notwithstanding that any drafts or other documents presented in connection with such Letter of Credit fail to conform in any way with such Letter of Credit.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Issuing Lender or its Affiliates under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put the Issuing Lender or its Affiliates under any resulting liability to the Borrower or any Lender.

2.9.10 Issuing Lender Reporting Requirements. Each Issuing Lender shall, on the first Business Day of each month, provide to Administrative Agent and Borrower a schedule of the Letters of Credit issued by it, in form and substance satisfactory to Administrative Agent, showing the date of issuance of each Letter of Credit, the account party, the original face amount (if any), and the expiration date of any Letter of Credit outstanding at any time during the preceding month, and any other information relating to such Letter of Credit that the Administrative Agent may request.

2.10 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.3 [Commitment Fees];

(ii) the Commitment and outstanding Loans of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 11.1 [Modifications, Amendments or Waivers]); provided, that this clause (ii) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender directly affected thereby;

(iii) if any Swing Loans are outstanding or any Letter of Credit Obligations exist at the time such Lender becomes a Defaulting Lender, then:

(a) all or any part of the outstanding Swing Loans and Letter of Credit Obligations of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Ratable Shares but only to the extent that (x) the Revolving Facility Usage does not exceed the total of all non-Defaulting Lenders' Revolving Credit Commitments, and (y) no Potential Default or Event of Default has occurred and is continuing at such time;

(b) if the reallocation described in clause (a) above cannot, or can only partially, be effected, the Borrower shall within one Business Day following notice by the Administrative Agent (x) first, prepay such outstanding Swing Loans, and (y) second, cash collateralize for the benefit of the Issuing Lender the Borrower's obligations corresponding to such Defaulting Lender's Letter of Credit Obligations (after giving effect to any partial reallocation pursuant to clause (a) above) in a deposit account held at the Administrative Agent for so long as such Letter of Credit Obligations are outstanding;

(c) if the Borrower cash collateralizes any portion of such Defaulting Lender's Letter of Credit Obligations pursuant to clause (b) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.9.2 [Letter of Credit Fees] with respect to such Defaulting Lender's Letter of Credit Obligations during the period such Defaulting Lender's Letter of Credit Obligations are cash collateralized;

(d) if the Letter of Credit Obligations of the non-Defaulting Lenders are reallocated pursuant to clause (a) above, then the fees payable to the Lenders pursuant to Section 2.9.2 [Letter of Credit Fees] shall be adjusted in accordance with such non-Defaulting Lenders' Ratable Share; and

(e) if all or any portion of such Defaulting Lender's Letter of Credit Obligations are neither reallocated nor cash collateralized pursuant to clause (a) or (b) above, then, without prejudice to any rights or remedies of the Issuing Lender or any other Lender hereunder, all Letter of Credit Fees payable under Section 2.9.2 [Letter of Credit Fees] with respect to such Defaulting Lender's Letter of Credit Obligations shall be payable to the Issuing Lender (and not to such Defaulting Lender) until and to the extent that such Letter of Credit Obligations are reallocated and/or cash collateralized; and

(iv) so long as such Lender is a Defaulting Lender, PNC Bank shall not be required to fund any Swing Loans and the Issuing Lender shall not be required to issue, amend or increase any Letter of Credit, unless the Issuing Lender is satisfied that the related exposure and the Defaulting Lender's then outstanding Letter of Credit Obligations will be 100% covered by the Revolving Credit Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.10(iii), and participating interests in any newly made Swing Loan or any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.10(iii)(a) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a parent company of any Lender shall occur following the date hereof and for so long as such event shall continue, or (ii) PNC Bank or the Issuing Lender has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, PNC Bank shall not be required to fund any Swing Loan and the Issuing Lender shall not be required to issue, amend or increase any Letter of Credit, unless PNC Bank or the Issuing Lender, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to PNC Bank or the Issuing Lender, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Borrower, PNC Bank and the Issuing Lender agree in writing that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Administrative Agent will so notify the parties hereto, and the Ratable Share of the Swing Loans and Letter of Credit Obligations of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment, and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swing Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Ratable Share.

3. TERM LOANS

3.1 Term Loan Commitments. Subject to the terms and conditions hereof, and relying upon the representations and warranties herein set forth, each Lender severally agrees to make a term loan (the "**Term Loan**") to the Borrower on the Closing Date in such principal amount as the Borrower shall request up to, but not exceeding such Lender's Term Loan Commitment.

3.2 Nature of Lenders' Obligations with Respect to Term Loans; Repayment Terms. The obligations of each Lender to make a Term Loan to the Borrower shall be in the proportion that such Lender's Term Loan Commitment bears to the Term Loan Commitments of all Lenders to the Borrower, but each Lender's Term Loan to the Borrower shall never exceed its Term Loan Commitment. The failure of any Lender to make a Term Loan shall not relieve any other Lender of its obligations to make a Term Loan nor shall it impose any additional liability on any other Lender hereunder. The Lenders shall have no obligation to make Term Loans hereunder after the Closing Date. The Term Loan Commitments are not revolving credit commitments, and the Borrower shall not have the right to borrow, repay and reborrow under Section 3.1 [Term Loan Commitments]. Payments of principal on the Term Loans shall be on the first Business Day following each fiscal quarter end of the Borrower and on the Maturity Date in the amount indicated below:

Fiscal Quarters Ending	Amount Equal to the Applicable Percentage Set Forth Below of the Initial Term Loan
June 30, 2018 through March 31, 2019	3.75%
June 30, 2019 through March 31, 2020	5.00%
June 30, 2020 through March 31, 2022	6.25%
June 30, 2022 through March 31, 2023	3.75%
Maturity Date	Any and all outstanding principal and interest

3.3 [Intentionally Omitted].

3.4 [Intentionally Omitted].

4. INTEREST RATES

4.1 Interest Rate Options. The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Loans as selected by it from the Base Rate Option or LIBOR Rate Option set forth below applicable to the Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Loans comprising any Borrowing Tranche; provided that there shall not be at any one time outstanding more than five (5) Borrowing Tranches in the aggregate among all of the Loans that bear interest under the LIBOR Rate Option, and provided further that if an Event of Default or Potential Default exists and is continuing, the Borrower may not request, convert to, or renew the LIBOR Rate Option for any Loans and the Required Lenders may demand that all existing Borrowing Tranches bearing interest under the LIBOR Rate Option shall be converted immediately to the Base Rate Option, subject to the obligation of the Borrower to pay any indemnity under Section 5.10 [Indemnity] in connection with such conversion. If at any time the designated rate applicable to any Loan made by any Lender exceeds such Lender's highest lawful rate, the rate of interest on such Lender's Loan shall be limited to such Lender's highest lawful rate.

4.1.1 Revolving Credit Interest Rate Options; Swing Line Interest Rate. The Borrower shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans:

(i) Revolving Credit Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate plus the Applicable Margin, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Revolving Credit LIBOR Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the LIBOR Rate as determined for each applicable Interest Period plus the Applicable Margin.

Subject to Section 4.4 [Interest After Default], only the Base Rate Option applicable to Revolving Credit Loans shall apply to the Swing Loans.

4.1.2 Term Loan Interest Rate Options. The Borrower shall have the right to select from the following Interest Rate Options applicable to the Term Loans:

(i) Term Loan Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate plus the Applicable Margin, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Term Loan LIBOR Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the LIBOR Rate as determined for each applicable Interest Period plus the Applicable Margin.

4.2 Rate Quotations. The Borrower may call the Administrative Agent on or before the date on which a Loan Request is to be delivered to receive an indication of the rates then in effect, but it is acknowledged that such projection shall not be binding on the Administrative Agent or the Lenders nor affect the rate of interest which thereafter is actually in effect when the election is made.

4.3 Interest Periods. At any time when the Borrower shall select, convert to or renew a LIBOR Rate Option, the Borrower shall notify the Administrative Agent thereof at least three (3) Business Days prior to the effective date of such LIBOR Rate Option by delivering a Loan Request. The notice shall specify an Interest Period during which such Interest Rate Option shall apply. Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a LIBOR Rate Option:

4.3.1 Amount of Borrowing Tranche. Each Borrowing Tranche of Loans under the LIBOR Rate Option shall be in integral multiples of $500,000 and not less than $1,000,000; and

4.3.2 Renewals. In the case of the renewal of a LIBOR Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

4.4 Interest After Default. To the extent permitted by Law, upon the occurrence of an Event of Default and until such time such Event of Default shall have been cured or waived, at the discretion of the Administrative Agent or upon written demand by the Required Lenders to the Administrative Agent:

4.4.1 Letter of Credit Fees, Interest Rate. The Letter of Credit Fees and the rate of interest for each Loan otherwise applicable pursuant to Section 2.9.2 [Letter of Credit Fees] or Section 4.1 [Interest Rate Options], respectively, shall be increased by 2.0% per annum;

4.4.2 Other Obligations. Each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable and until it is Paid In Full; and

4.4.3 Acknowledgment. The Borrower acknowledges that the increase in rates referred to in this Section 4.4 reflects, among other things, the fact that such Loans or other amounts have become a substantially greater risk given their default status and that the Lenders are entitled to additional compensation for such risk; and all such interest shall be payable by Borrower upon demand by Administrative Agent.

4.5 LIBOR Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available.

4.5.1 Unascertainable. If on any date on which a LIBOR Rate would otherwise be determined, the Administrative Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such LIBOR Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank market relating to the establishment of the LIBOR Rate,

then the Administrative Agent shall have the rights specified in Section 4.5.3 [Administrative Agent's and Lender's Rights].

4.5.2 Illegality; Increased Costs; Deposits Not Available. If at any time any Lender shall have determined that:

(i) the making, maintenance or funding of any Loan to which a LIBOR Rate Option applies has been made impracticable or unlawful by compliance by such Lender in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such LIBOR Rate Option will not adequately and fairly reflect the cost to such Lender of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan, or to banks generally, to which a LIBOR Rate Option applies, respectively, are not available to such Lender with respect to such Loan, or to banks generally, in the interbank Eurodollar market,

then the Administrative Agent shall have the rights specified in Section 4.5.3 [Administrative Agent's and Lender's Rights].

4.5.3 Administrative Agent's and Lender's Rights. In the case of any event specified in Section 4.5.1 [Unascertainable] above, the Administrative Agent shall promptly so notify the Lenders and the Borrower thereof, and in the case of an event specified in Section 4.5.2 [Illegality; Increased Costs; Deposits Not Available] above, such Lender shall promptly so notify the Administrative Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Administrative Agent shall promptly send copies of such notice and certificate to the other Lenders and the Borrower. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Lenders, in the case of such notice given by the Administrative Agent, or (B) such Lender, in the case of such notice given by such Lender, to allow the Borrower to select, convert to or renew a LIBOR Rate Option shall be suspended until the Administrative Agent shall have later notified the Borrower, or such Lender shall have later notified the Administrative Agent, of the Administrative Agent's or such Lender's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Administrative Agent makes a determination under Section 4.5.1 [Unascertainable] and the Borrower has previously notified the Administrative Agent of its selection of, conversion to or renewal of a LIBOR Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Base Rate Option otherwise available with respect to such Loans. If any Lender notifies the Administrative Agent of a determination under Section 4.5.2 [Illegality; Increased Costs; Deposits Not Available], the Borrower shall, subject to the Borrower's indemnification Obligations under Section 5.10 [Indemnity], as to any Loan of the Lender to which a LIBOR Rate Option applies, on the date specified in such notice either convert such Loan to the Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 5.6 [Voluntary Prepayments]. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Loan upon such specified date.

4.5.4 Successor LIBOR Rate Index.

(i) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, if the Administrative Agent determines that a Benchmark Transition Event or an Early Opt-in Event has occurred, the Administrative Agent and the Borrower may amend this Agreement to replace the LIBOR Rate with a Benchmark Replacement; and any such amendment will become effective at 5:00 p.m. New York City time on the fifth (5th) Business Day after the Administrative Agent has provided such proposed amendment to all Lenders, so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders. Until the Benchmark Replacement is effective, each advance, conversion and renewal of a Loan under the LIBOR Rate Option will continue to bear interest with reference to the LIBOR Rate; provided however, during a Benchmark Unavailability Period (i) any pending selection of, conversion to or renewal of a Loan bearing interest under the LIBOR Rate Option that has not yet gone into effect shall be deemed to be a selection of, conversion to or renewal of the Base Rate Option with respect to such Loan, (ii) all outstanding Loans bearing interest under the LIBOR Rate Option shall automatically be converted to the Base Rate Option at the expiration of the existing Interest Period (or sooner, if Administrative Agent cannot continue to lawfully maintain such affected Loan under the LIBOR Rate Option) and (iii) the component of the Base Rate based upon the LIBOR Rate will not be used in any determination of the Base Rate.

(ii) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(iii) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Lenders of (i) the implementation of any Benchmark Replacement, (ii) the effectiveness of any Benchmark Replacement Conforming Changes and (iii) the commencement of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or the Lenders pursuant to this Section 4.5.4 including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 4.5.4.

(iv) Certain Defined Terms. As used in this Section 4.5.4:

"Benchmark Replacement" means the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBOR Rate for U.S. dollar-denominated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

"Benchmark Replacement Adjustment" means, with respect to any replacement of the LIBOR Rate with an alternate benchmark rate for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower (a) giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBOR Rate with the applicable Benchmark Replacement (excluding such spread adjustment) by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for such replacement of the LIBOR Rate for U.S. dollar-denominated credit facilities at such time and (b) which may also reflect adjustments to account for (i) the effects of the transition from the LIBOR Rate to the Benchmark Replacement and (ii) yield- or risk-based differences between the LIBOR Rate and the Benchmark Replacement.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Base Rate," the definition of "Interest Period," timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

"Benchmark Replacement Date" means the earlier to occur of the following events with respect to the LIBOR Rate:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the LIBOR Rate permanently or indefinitely ceases to provide the LIBOR Rate; or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the LIBOR Rate:

(1) a public statement or publication of information by or on behalf of the administrator of the LIBOR Rate announcing that such administrator has ceased or will cease to provide the LIBOR Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBOR Rate;

(2) a public statement or publication of information by a Governmental Authority having jurisdiction over the Administrative Agent, the regulatory supervisor for the administrator of the LIBOR Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBOR Rate, a resolution authority with jurisdiction over the administrator for the LIBOR Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBOR Rate, which states that the administrator of the LIBOR Rate has ceased or will cease to provide the LIBOR Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBOR Rate; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBOR Rate or a Governmental Authority having jurisdiction over the Administrative Agent announcing that the LIBOR Rate is no longer representative.

"Benchmark Unavailability Period" means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBOR Rate and solely to the extent that the LIBOR Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBOR Rate for all purposes hereunder in accordance with Section 4.5.4 and (y) ending at the time that a Benchmark Replacement has replaced the LIBOR Rate for all purposes hereunder pursuant to Section 4.5.4.

"Early Opt-in Event" means a determination by the Administrative Agent that U.S. dollar- denominated credit facilities being executed at such time, or that include language similar to that contained in this Section 4.5.4, are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the LIBOR Rate.

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

4.6 Selection of Interest Rate Options. If the Borrower fails to select a new Interest Period to apply to any Borrowing Tranche of Loans under the LIBOR Rate Option at the expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 4.3 [Interest Periods], the Borrower shall be deemed to have converted such Borrowing Tranche to the Base Rate Option, as applicable to Revolving Credit Loans or Term Loans as the case may be, commencing upon the last day of the existing Interest Period.

5. PAYMENTS

5.1 Payments. All payments and prepayments to be made in respect of principal, interest, Commitment Fees, Letter of Credit Fees, Administrative Agent's Fee or other fees or amounts due from the Borrower hereunder shall be payable prior to 1:00 p.m. on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Administrative Agent at the Principal Office for the account of PNC Bank with respect to the Swing Loans and for the ratable accounts of the Lenders with respect to the Revolving Credit Loans or Term Loans in U.S. Dollars and in immediately available funds, and the Administrative Agent shall promptly distribute such amounts to the Lenders in immediately available funds; provided that in the event payments are received by 1:00 p.m. by the Administrative Agent with respect to the Loans and such payments are not distributed to the Lenders on the same day received by the Administrative Agent, the Administrative Agent shall pay the Lenders interest at the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Administrative Agent and not distributed to the Lenders. The Administrative Agent's and each Lender's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement and shall be deemed an "account stated".

5.2 Pro Rata Treatment of Lenders. Each borrowing of Revolving Credit Loans shall be allocated to each Lender according to its Ratable Share, and each selection of, conversion to or renewal of any Interest Rate Option and each payment or prepayment by the Borrower with respect to principal, interest, Commitment Fees, Letter of Credit Fees, or other fees (except for the Administrative Agent's Fee and the Issuing Lender's fronting fee) shall (except as otherwise may be provided with respect to a Defaulting Lender and except as provided in Section 4.5.3 [Administrative Agent's and Lender's Rights] in the case of an event specified in Sections 4.5 [LIBOR Rate Unascertainable; Etc.], 5.6.2 [Replacement of a Lender] or 5.8 [Increased Costs]) be payable ratably among the Lenders entitled to such payment in accordance with the amount of principal, interest, Commitment Fees and Letter of Credit Fees, as set forth in this Agreement. Notwithstanding any of the foregoing, each borrowing or payment or prepayment by the Borrower of principal, interest, fees or other amounts from the Borrower with respect to Swing Loans shall be made by or to PNC Bank according to Section 2.6.5 [Borrowings to Repay Swing Loans].

5.3 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff, counterclaim or banker's lien, by receipt of voluntary payment, by realization upon security, or by any other non-pro rata source, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than the pro rata share of the amount such Lender is entitled thereto, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by Law (including court order) to be paid by the Lender or the holder making such purchase; and

(ii) the provisions of this Section 5.3 shall not be construed to apply to (x) any payment made by the Loan Parties pursuant to and in accordance with the express terms of the Loan Documents or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or Participation Advances to any assignee or participant, other than to any Loan Party thereof (as to which the provisions of this Section 5.3 shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Loan Party in the amount of such participation.

5.4 Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Lender hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Lender, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Lender, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the Issuing Lender, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

5.5 Interest Payment Dates. Interest on Loans to which the Base Rate Option applies shall be due and payable in arrears on each Payment Date. Interest on Loans to which the LIBOR Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans and, if such Interest Period is longer than three (3) Months, also on the 90th day of such Interest Period. Interest on mandatory prepayments of principal under Section 5.7 [Mandatory Prepayments] shall be due on the date such mandatory prepayment is due. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated Expiration Date, Maturity Date, upon acceleration or otherwise).

5.6 Voluntary Prepayments.

5.6.1 Right to Prepay. The Borrower shall have the right at its option from time to time to prepay the Loans in whole or part without premium or penalty (except as provided in Section 5.6.2 [Replacement of a Lender] below, in Section 5.8 [Increased Costs] and Section 5.10 [Indemnity]). Whenever the Borrower desires to prepay any part of the Loans, it shall provide a prepayment notice to the Administrative Agent by 1:00 p.m. at least one (1) Business Day prior to the date of prepayment of the Revolving Credit Loans or Term Loans or no later than 1:00 p.m., Pittsburgh time, on the date of prepayment of Swing Loans, setting forth the following information:

(i) the date, which shall be a Business Day, on which the proposed prepayment is to be made;

(a) a statement indicating the application of the prepayment between the Revolving Credit Loans, Term Loans and Swing Loans;

(b) with respect to any prepayment of any Loans subject to the LIBOR Rate Option, a statement indicating the application of the prepayment between the LIBOR Rate Option tranches; and

(c) the total principal amount of such prepayment, which shall not be less than: (i) $100,000 for any Swing Loan, or (ii) $100,000 for any Revolving Credit Loan.

All prepayment notices shall be irrevocable. The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Loans to which the Base Rate Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. All Term Loan prepayments permitted pursuant to this Section 5.6.1 [Right to Prepay] shall be applied to the unpaid installments of principal of the Term Loans in the inverse order of scheduled maturities. Except as provided in Section 4.5.3 [Administrative Agent's and Lender's Rights], if the Borrower prepays a Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied first to Loans to which the Base Rate Option applies, then to Loans to which the LIBOR Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Lenders under Section 5.10 [Indemnity].

5.6.2 Replacement of a Lender. In the event any Lender (i) gives notice under Section 4.5 [LIBOR Rate Unascertainable, Etc.], (ii) requests compensation under Section 5.8 [Increased Costs], or requires the Borrower to pay any Indemnified Taxes or additional amount to any Lender or any Official Body for the account of any Lender pursuant to Section 5.9 [Taxes], (iii) is a Defaulting Lender, (iv) becomes subject to the control of an Official Body (other than normal and customary supervision), or (v) is a Non-Consenting Lender referred to in Section 11.1 [Modifications, Amendments or Waivers] then in any such event the Borrower may, at its sole expense, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.8 [Successors and Assigns]), all of its interests, rights (other than existing rights to payment pursuant to Sections 5.8 [Increased Costs] or 5.9 [Taxes]) and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 11.8 [Successors and Assigns];

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and Participation Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 5.10 [Indemnity]) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 5.8.1 [Increased Costs Generally] or payments required to be made pursuant to Section 5.9 [Taxes], such assignment will result in a reduction in such compensation or payments thereafter; and

(iv) such assignment does not conflict with applicable Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

5.6.3 Designation of a Different Lending Office. If any Lender requests compensation under Section 5.8 [Increased Costs], or the Borrower is or will be required to pay any Indemnified Taxes or additional amounts to any Lender or any Official Body for the account of any Lender pursuant to Section 5.9 [Taxes], then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 5.8 [Increased Costs] or Section 5.9 [Taxes], as the case may be, in the future, and (ii) would not subject such Lender to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

5.7 Mandatory Prepayments.

5.7.1 Specified Excluded Subsidiary Distributions. At any time when the Leverage Ratio as determined as of the end of the most recent fiscal quarter is greater than or equal to 2.0 to 1.0, the Borrower shall make a mandatory prepayment of principal equal to all Specified Excluded Subsidiary Distributions within ten (10) days of the receipt by any Loan Party of such cash distributions.

5.7.2 Excess Cash Flow. Commencing with the fiscal year ending December 31, 2018, and for each fiscal year thereafter, and at such times as when the Leverage Ratio as determined as of the end of the most recent fiscal year is greater than or equal to 2.0 to 1.0, the Borrower shall make a mandatory prepayment of principal equal to 50% of Excess Cash Flow for the immediately preceding fiscal year together with accrued interest on such principal amount within ten (10) days of delivery of the Borrower's audited annual financial statements for the preceding fiscal year.

5.7.3 Equity Issuances. At any time when the Leverage Ratio as determined as of the end of the most recent fiscal quarter is greater than or equal to 2.0 to 1.0, the Borrower shall make a mandatory prepayment of principal equal to 100% of the after tax net cash proceeds received by any Loan Party in connection with any Equity Issuances within ten (10) days of the receipt of such proceeds.

5.7.4 Dispositions of any Specified Excluded Subsidiary. At any time when the Leverage Ratio as determined as of the end of the most recent fiscal quarter is greater than or equal to 2.0 to 1.0, the Borrower shall make a mandatory prepayment of principal equal to 100% of the after tax net cash proceeds received by any Loan Party in connection with the sale of such party's interest in any Specified Excluded Subsidiary within 10 days of the receipt of such proceeds.

5.7.5 Cash Surplus. If on any Business Day the Borrower or any other Loan Party have any Cash Surplus on such date, then the Borrower shall prepay the Revolving Credit Loans on or before the third Business Day following such date in an amount equal to such Cash Surplus.

5.7.6 Application Among Interest Rate Options. Except as set forth in Section 5.7.5, all prepayments required pursuant to this Section 5.7 shall first be applied to the outstanding principal balance of the Term Loans in inverse order to the scheduled principal payments and then to the outstanding principal balance of the Revolving Credit Loans. After giving effect to the first sentence of this Section 5.7.6, all prepayments shall next be applied among the Interest Rate Options to the principal amount of the Loans subject to the Base Rate Option, then to Loans subject to a LIBOR Rate Option. In accordance with Section 5.10 [Indemnity], the Borrower shall indemnify the Lenders for any loss or expense, incurred with respect to any such prepayments applied against Loans subject to a LIBOR Rate Option on any day other than the last day of the applicable Interest Period. All prepayments of the Term Loans required pursuant to this Section 5.7 may not be reborrowed.

5.8 Increased Costs.

5.8.1 Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBOR Rate) or the Issuing Lender;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (ii) through (iv) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender, the Issuing Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to such Lender, the Issuing Lender or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, the Issuing Lender or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Issuing Lender or other Recipient, the Borrower will pay to such Lender, the Issuing Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

5.8.2 Capital Requirements. If any Lender or the Issuing Lender determines that any Change in Law affecting such Lender or the Issuing Lender or any lending office of such Lender or such Lender's or the Issuing Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Lender's capital or on the capital of such Lender's or the Issuing Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit or Swing Loans held by, such Lender, or the Letters of Credit issued by the Issuing Lender, to a level below that which such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Lender's policies and the policies of such Lender's or the Issuing Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company for any such reduction suffered.

5.8.3 Certificates for Reimbursement; Repayment of Outstanding Loans; Borrowing of New Loans. A certificate of a Lender or the Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or the Issuing Lender or its holding company, as the case may be, as specified in Sections 5.8.1 [Increased Costs Generally] or 5.8.2 [Capital Requirements] and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

5.8.4 Delay in Requests. Failure or delay on the part of any Lender or the Issuing Lender to demand compensation pursuant to this Section 5.8.4 shall not constitute a waiver of such Lender's or the Issuing Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or the Issuing Lender pursuant to this Section 5.8.4 for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or the Issuing Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

5.9 Taxes.

5.9.1 Issuing Lender. For purposes of this Section 5.9, the term "Lender" includes the Issuing Lender and the term "applicable Law" includes FATCA.

5.9.2 Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be without deduction or withholding for any Taxes, except as required by applicable Law. If any applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Official Body in accordance with applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 5.9) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

5.9.3 Payment of Other Taxes by the Loan Parties. The Loan Parties shall timely pay to the relevant Official Body in accordance with applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

5.9.4 Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Recipient, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 5.9) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Official Body. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

5.9.5 Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of any of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 11.8.4 [Participations] relating to the maintenance of a Participant Register, and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Official Body. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section 5.9.5.

5.9.6 Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to an Official Body pursuant to this Section 5.9, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Official Body evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

5.9.7 Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 5.9.7(ii)(b)(A), (ii)(b)(B) and (ii)(b)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Borrower,

(a) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(b) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(A) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(B) executed originals of IRS Form W-8ECI;

(C) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit 5.9.7(A) to the effect that such Foreign Lender is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "**U.S. Tax Compliance Certificate**") and (y) executed originals of IRS Form W-8BEN; or

(D) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit 5.9.7(B) or Exhibit 5.9.7(C), IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit 5.9.7(D) on behalf of each such direct and indirect partner;

(c) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(d) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

5.9.8 Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 5.9 (including by the payment of additional amounts pursuant to this Section 5.9), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 5.9 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Official Body with respect to such refund). Such indemnifying party, upon the request of such indemnified party incurred in connection with obtaining such refund, shall repay to such indemnified party the amount paid over pursuant to this Section 5.9.8 (plus any penalties, interest or other charges imposed by the relevant Official Body) in the event that such indemnified party is required to repay such refund to such Official Body. Notwithstanding anything to the contrary in this Section 5.9.8), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 5.9.8 the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

5.9.9 Survival. Each party's obligations under this Section 5.9 shall survive the resignation of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all Obligations.

5.10 Indemnity. In addition to the compensation or payments required by Section 5.8 [Increased Costs] or Section 5.9 [Taxes], the Borrower shall indemnify each Lender against all liabilities, losses or expenses (including loss of anticipated profits, any foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan, from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract) which such Lender sustains or incurs as a consequence of any:

(i) payment, prepayment, conversion or renewal of any Loan to which a LIBOR Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.5 [Revolving Credit Loan Requests; Swing Loan Requests] or Section 4.3 [Interest Periods] or notice relating to prepayments under Section 5.6 [Voluntary Prepayments], or

(iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest, Commitment Fee or any other amount due hereunder.

If any Lender sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Lender (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Lender shall deem reasonable) to be necessary to indemnify such Lender for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Lender ten (10) Business Days after such notice is given.

5.11 Settlement Date Procedures. In order to minimize the transfer of funds between the Lenders and the Administrative Agent, the Borrower may borrow, repay and reborrow Swing Loans and PNC Bank may make Swing Loans as provided in Section 2.1.2 [Swing Loan Commitments] hereof during the period between Settlement Dates. The Administrative Agent shall notify each Lender of its Ratable Share of the total of the Revolving Credit Loans and the Swing Loans (each a "**Required Share**"). On such Settlement Date, each Lender shall pay to the Administrative Agent the amount equal to the difference between its Required Share and its Revolving Credit Loans, and the Administrative Agent shall pay to each Lender its Ratable Share of all payments made by the Borrower to the Administrative Agent with respect to the Revolving Credit Loans. The Administrative Agent shall also effect settlement in accordance with the foregoing sentence on the proposed Borrowing Dates for Revolving Credit Loans and on any mandatory prepayment date as provided for herein and may at its option effect settlement on any other Business Day. These settlement procedures are established solely as a matter of administrative convenience, and nothing contained in this Section 5.11 shall relieve the Lenders of their obligations to fund Revolving Credit Loans on dates other than a Settlement Date pursuant to Section 2.1.2 [Swing Loan Commitment]. The Administrative Agent may at any time at its option for any reason whatsoever require each Lender to pay immediately to the Administrative Agent such Lender's Ratable Share of the outstanding Revolving Credit Loans and each Lender may at any time require the Administrative Agent to pay immediately to such Lender its Ratable Share of all payments made by the Borrower to the Administrative Agent with respect to the Revolving Credit Loans.

6. REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties. The Loan Parties, jointly and severally, represent and warrant to the Administrative Agent and each of the Lenders as follows:

6.1.1 Organization and Qualification; Power and Authority; Compliance With Laws; Title to Properties; Event of Default.

Each Loan Party and each Specified Excluded Subsidiary (i) is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (ii) has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct, (iii) is duly licensed or qualified and in good standing in each jurisdiction listed on Schedule 6.1.1 and in all other jurisdictions where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary, except where such failure would not constitute a Material Adverse Change (iv) has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part, (v) is in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 6.1.14 [Environmental Matters]) in all jurisdictions in which such Loan Party or Specified Excluded Subsidiary is presently or will be doing business except where the failure to do so would not constitute a Material Adverse Change, and (vi) has good and marketable title to or valid leasehold interest in all material properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens. No Event of Default or Potential Default exists or is continuing.

6.1.2 Subsidiaries and Owners; Investment Companies. Schedule 6.1.2 states (i) the name of each of the Borrower's and each other Loan Party's Subsidiaries, its jurisdiction of organization and the amount, percentage and type of equity interests in such Subsidiary (the "**Subsidiary Equity Interests**"), (ii) the name of each holder of an equity interest in the Borrower, the amount, percentage and type of such equity interest (the "**Borrower Equity Interests**"), and (iii) any options, warrants or other rights outstanding to purchase any such equity interests referred to in clause (i) or (ii) (collectively the "**Equity Interests**"). The Borrower, each other Loan Party and each Specified Excluded Subsidiary has good and marketable title to all of the Subsidiary Equity Interests it purports to own, free and clear in each case of any Lien and all such Subsidiary Equity Interests have been validly issued, fully paid and nonassessable. None of the Loan Parties or Specified Excluded Subsidiaries is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control." None of the Loan Parties is a "holding company" or any "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 2005, as amended. None of the Loan Parties is subject to any other federal or state statute or regulation limiting its ability to incur Indebtedness for borrowed money (other than any limitation in the CARES Act in respect of the borrowing of PPP Loans).

6.1.3 Validity and Binding Effect. This Agreement and each of the other Loan Documents (i) has been duly and validly executed and delivered by each Loan Party, and (ii) constitutes, or will constitute, legal, valid and binding obligations of each such Loan Party which is or will be a party thereto, enforceable against such Loan Party in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws in effect from time to time relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.

6.1.4 No Conflict; Material Agreements; Consents. Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents of such Loan Party or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which such Loan Party or any Specified Excluded Subsidiary is a party or by which it is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of such Loan Party or any Specified Excluded Subsidiary (other than Liens granted under the Loan Documents). There is no default under such material agreement (referred to above) and none of the Loan Parties or Specified Excluded Subsidiaries is bound by any contractual obligation, or subject to any restriction in any organization document, or any requirement of Law which could result in a Material Adverse Change. Except as set forth on Schedule 6.1.4, no consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Agreement and the other Loan Documents.

6.1.5 Litigation. There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party or any Specified Excluded Subsidiary at law or in equity before any Official Body which individually or in the aggregate may result in any Material Adverse Change. None of the Loan Parties or Specified Excluded Subsidiaries is in violation of any order, writ, injunction or any decree of any Official Body which may result in any Material Adverse Change.

6.1.6 Financial Statements.

(i) Historical Statements. The Borrower has delivered to the Administrative Agent copies of its production reports, balance sheet, income statement and cash flow statement for and as of the end of the fiscal year ended December 31, 2017 (all such annual reports and statements being collectively referred to as the "**Statements**"). The Statements were compiled from the books and records maintained by the Borrower's management, are correct and complete and fairly represent the financial condition of the Borrower and its Subsidiaries as of the respective dates thereof and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied, subject (in the case of the interim statements) to normal year-end audit adjustments.

(ii) Accuracy of Financial Statements. None of the Loan Parties or Specified Excluded Subsidiaries has any liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of any Loan Party which may cause a Material Adverse Change. Since December 31, 2017, no Material Adverse Change has occurred.

6.1.7 Margin Stock. None of the Loan Parties or Specified Excluded Subsidiaries engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U, T or X as promulgated by the Board of Governors of the Federal Reserve System). No part of the proceeds of any Loan has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Loan Parties or Specified Excluded Subsidiaries holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of any such Loan Party or any Specified Excluded Subsidiary are or will be represented by margin stock.

6.1.8 Full Disclosure. Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished to the Administrative Agent or any Lender in connection herewith or therewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to any Loan Party which materially adversely affects the business, property, assets, financial condition, or results of operations of any such Loan Party or any Specified Excluded Subsidiary which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Administrative Agent and the Lenders prior to or at the date hereof in connection with the transactions contemplated hereby.

6.1.9 Taxes. All material federal, state, local and other tax returns required to have been filed with respect to each Loan Party or any Specified Excluded Subsidiary have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made.

6.1.10 Patents, Trademarks, Copyrights, Licenses, Etc. None of the Loan Parties or Specified Excluded Subsidiaries owns or possesses any material patents, trademarks, service marks, trade names, or copyrights. Each Loan Party owns or possesses all the material licenses, registrations, franchises, permits and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by such Loan Party or Specified Excluded Subsidiary, without known possible, alleged or actual conflict with the rights of others.

6.1.11 Liens in the Collateral. The Liens in all material Collateral granted to the Administrative Agent for the benefit of the Lenders pursuant to the Collateral Assignment, the Pledge Agreement, the Security Agreement and the Mortgages (collectively, the "**Collateral Documents**") constitute and will continue to constitute first priority perfected Liens subject to Permitted Liens. All filing fees and other expenses in connection with the perfection of such Liens have been or will be paid by the Borrower.

6.1.12 Insurance. The properties of the Loan Parties and the Specified Excluded Subsidiaries are insured pursuant to policies and other bonds which are valid and in full force and effect and which provide adequate coverage from reputable and financially sound insurers in amounts sufficient to insure the assets and risks of each such Loan Party and each Specified Excluded Subsidiary in accordance with prudent business practice in the industry of such Loan Party or such Specified Excluded Subsidiary. Each Loan Party has taken all actions required under the Flood Laws and/or requested by the Administrative Agent to assist in ensuring that each Lender is in compliance with the Flood Laws applicable to the Collateral, including, but not limited to, providing the Administrative Agent with the address and/or GPS coordinates of each structure located upon any real property that will be subject to a mortgage in favor of the Administrative Agent, for the benefit of the Lenders, and, to the extent required, obtaining flood insurance for such property, structures and contents prior to such property, structures and contents becoming Collateral.

6.1.13 ERISA Compliance. (i) (i) Each Pension Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws. Each Pension Plan that is intended to qualify under Section 401(a) of the Code has received from the IRS a favorable determination or opinion letter, which has not by its terms expired, that such Pension Plan is so qualified, or such Pension Plan is entitled to rely on an IRS advisory or opinion letter with respect to an IRS-approved master and prototype or volume submitter plan, or a timely application for such determination or opinion letter is currently being processed by the IRS with respect thereto; and, to the best knowledge of Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Borrower and each member of the ERISA Group have made all required contributions to each Pension Plan subject to Sections 412 or 430 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Sections 412 or 430 of the Code has been made with respect to any Pension Plan.

(ii) No ERISA Event has occurred or is reasonably expected to occur; (a) no Pension Plan has any unfunded pension liability (i.e. excess of benefit liabilities over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan for the applicable plan year); (b) neither Borrower nor any member of the ERISA Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (c) neither Borrower nor any member of the ERISA Group has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 of ERISA with respect to a Multiemployer Plan; (d) neither Borrower nor any member of the ERISA Group has received notice pursuant to Section 4242(a)(1)(B) of ERISA that a Multiemployer Plan is in reorganization and that additional contributions are due to the Multiemployer Plan pursuant to Section 4243 of ERISA; and (e) neither Borrower nor any member of the ERISA Group has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

6.1.14 Environmental Matters. Except for those items described on Schedule 6.1.14, none of which items, individually or collectively, could be reasonably expected to result in a Material Adverse Change:

(i) None of the Loan Parties has received any Environmental Complaint, whether directed or issued to any such Loan Party or relating or pertaining to activities undertaken by any prior owner, operator or occupant of the Real Property, which would result in a Material Adverse Change, and has no reason to believe that it might receive an Environmental Complaint that would result in a Material Adverse Change.

(ii) No activity of any Loan Party at the Real Property is being conducted in violation of any Environmental Law or Required Environmental Permit, which such activity would result in a Material Adverse Change, and to the knowledge of any such Loan Party, no activity of any prior owner, operator or occupant of the Real Property has caused an on-going violation of any Environmental Law, which such activity would result in a Material Adverse Change.

(iii) There are no Regulated Substances present on, in, under, or emanating from, or, to any such Loan Party's knowledge, emanating to, the Real Property or any portion thereof which result in Contamination, which such Contamination would result in a Material Adverse Change.

(iv) Each Loan Party has all Required Environmental Permits, the absence of which would result in a Material Adverse Change, and all such Required Environmental Permits are in full force and effect.

(v) Each Loan Party has submitted to an Official Body and/or maintains, as appropriate, all Required Environmental Notices where the failure to submit and/or maintain such Required Environmental Notices would result in a Material Adverse Change.

(vi) No structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks located on the Real Property contain or use, except in compliance with Environmental Laws and Required Environmental Permits, Regulated Substances or otherwise are operated or maintained except in compliance with Environmental Laws and Required Environmental Permits where such failure to contain, or the use of, Regulated Substances or the noncompliance with Environmental Laws or Required Environmental Permits, would result in a Material Adverse Change. To the knowledge of each Loan Party, no structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks of prior owners, operators or occupants of the Real Property contained or used, except in compliance with Environmental Laws, Regulated Substances or otherwise were operated or maintained by any such prior owner, operator or occupant except in compliance with Environmental Laws where such failure to contain, or the use of, Regulated Substances or the noncompliance with Environmental Laws or Required Environmental Permits, would result in a Material Adverse Change.

(vii) To the knowledge of each Loan Party, no facility or site to which any such Loan Party, either directly or indirectly by a third party, has sent Regulated Substances for storage, treatment, disposal or other management is identified in writing or proposed in writing to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation, cleanup, removal, remediation or other response action by an Official Body where such investigation, cleanup, removal, remediation or other response by an Official Body would result in a Material Adverse Change.

(viii) No portion of the Real Property is identified in writing or, to the knowledge of any Loan Party, proposed to be identified in writing on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation or remediation action by an Official Body where such investigation or remediation action by an Official Body would result in a Material Adverse Change, nor to the knowledge of any such Loan Party, is any property adjoining or in the proximity of the Real Property so identified or proposed to be identified on any such list where such identification or proposed identification would result in an investigation or remediation action by an Official Body that would result in a Material Adverse Change.

(ix) No portion of the Real Property constitutes an Environmentally Sensitive Area where the inclusion of such portion of the Real Property constituting an Environmentally Sensitive Area would result in a Material Adverse Change.

(x) No lien or other encumbrance authorized by Environmental Laws exists against the Real Property and none of the Loan Parties has any reason to believe that such a lien or encumbrance may be imposed where such lien or encumbrance would result in a Material Adverse Change.

6.1.15 Solvency. Each Loan Party is Solvent. After giving effect to the transactions contemplated by the Loan Documents on the Closing Date, including all Indebtedness incurred thereby, the Liens granted each such Loan Party in connection therewith and the payment of all fees related thereto, each such Loan Party will be Solvent, determined as of the Closing Date.

6.1.16 Employment Matters. Each of the Loan Parties is in compliance with all employment agreements, employment contracts, collective bargaining agreements and other agreements among any such Loan Party and its employees (collectively, "**Labor Contracts**") and all applicable federal, state and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls and worker and unemployment compensation, where the failure to comply would constitute a Material Adverse Change. There are no outstanding grievances, arbitration awards or appeals therefrom arising out of the Labor Contracts or current or threatened strikes, picketing, handbilling or other work stoppages or slowdowns at facilities of any of such Loan Parties which in any case would constitute a Material Adverse Change.

6.1.17 Title to Properties. A Lien on all Real Property owned by each Loan Party has been granted to the Administrative Agent for the benefit of the Lenders pursuant to a Mortgage and other appropriate Security Documents, except for (a) Real Property acquired by a Loan Party in which a Mortgage and other appropriate Security Documents will be executed and delivered by such Loan Party in favor of the Administrative Agent for the benefit of the Secured Parties within the time frames provided in Section 8.1.11 [Collateral and Additional Collateral; Execution and Delivery of Additional Security Documents] or Section 8.2.9 [Subsidiaries, Partnerships and Joint Ventures], as applicable, and (b) Real Property listed on Schedule 1.1(R) as of the Closing Date upon which a Lien has not yet been granted to the Administrative Agent for the benefit of Lenders, but for which a Mortgage and other appropriate Security Documents will be executed and delivered by such Loan Party in favor of the Administrative Agent for the benefit of the Secured Parties within the time frame provided in Section 8.1.15 [Post Closing Title Insurance and Additional Mortgages]. Each of the Loan Parties and Specified Excluded Subsidiaries has good and sufficient title to or valid leasehold interest in all material properties, assets and other rights that are reflected as owned or leased on its most recent audited balance sheet, free and clear of all Liens except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property are in full force and effect, except for those leases of property where such failure would not result in a Material Adverse Change.

6.1.18 Coal Act; Black Lung Act. To the extent applicable, the Loan Parties and the Specified Excluded Subsidiaries and their "related persons" (as defined in the Coal Act) are in compliance in all material respects with the Coal Act and none of the Loan Parties, Specified Excluded Subsidiaries or their respective related persons has any liability under the Coal Act except with respect to premiums or other payments required thereunder which have been paid when due and except to the extent that the liability thereunder would not reasonably be expected to result in a Material Adverse Change. The Loan Parties are in compliance in all material respects with the Black Lung Act, and none of the Loan Parties has any liability under the Black Lung Act except with respect to premiums, contributions or other payments required thereunder which have been paid when due and except to the extent that the liability thereunder would not reasonably be expected to result in a Material Adverse Change.

6.1.19 Bonding Capacity. After giving effect to the transactions contemplated by the Loan Documents, the Borrower has a sufficient mine bonding capacity to conduct its operations as projected in accordance with the financial projections of the Borrower and its Subsidiaries provided to the Administrative Agent.

6.1.20 Permit Blockage. No Loan Party has been barred for a period in excess of fourteen (14) consecutive days from receiving surface mining or underground mining permits pursuant to the permit block provisions of the Surface Mining Control and Reclamation Act, 30 U.S.C. §§ 1201 et seq., and the regulations promulgated thereto, or any corresponding state laws or regulations.

6.1.21 Anti-Terrorism Laws; EEA Financial Institution. (i) No Covered Entity is a Sanctioned Person, and (ii) no Covered Entity, either in its own right or through any third party, (a) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law, (b) does business in or with, or derives any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; or (c) engages in any dealings or transactions prohibited by any Anti-Terrorism Law. No Loan Party is an EEA Financial Institution.

6.1.22 Mining Property. The Loan Parties own or have an interest in all Real Property (whether owned or leased) as necessary for the mining operations and related operations and activities of the Loan Parties as currently conducted.

6.1.23 Certificate of Beneficial Ownership. The Certificate of Beneficial Ownership executed and delivered to Administrative Agent and Lenders for the Borrower on or prior to the date of this Agreement, as updated from time to time in accordance with this Agreement, is accurate, complete and correct as of the date hereof and as of the date any such update is delivered. The Borrower acknowledges and agrees that the Certificate of Beneficial Ownership is one of the Loan Documents.

6.1.24 SBA Compliance. The Loan Parties do not presently engage in (and at all times that a PPP Loan of any Loan Party remains outstanding will not engage in) any activities prohibited by the CARES Act, and no Loan Party will use (directly or indirectly) the proceeds from the PPP Loan for any purpose for which a recipient of a covered loan received under the CARES Act is prohibited under the CARES Act. At all times that a PPP Loan of any Loan Party remains outstanding, the Loan Parties shall take all actions necessary to maintain eligibility under the Paycheck Protection Program established under the CARES Act and shall comply in all material respects with the terms and conditions of the PPP Loan.

6.2 Updates to Schedules. Should any of the information or disclosures provided on any of the Schedules attached hereto become outdated or incorrect in any material respect, the Borrower shall promptly provide the Administrative Agent in writing with such revisions or updates to such Schedule as may be necessary or appropriate to update or correct same; provided, however, that (i) Schedules 1.1(R), 6.1.1, and 6.1.2 shall not be deemed to have been amended, modified or superseded by any such correction or update, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until the Administrative Agent, in its sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedules and (ii) all remaining Schedules shall not be deemed to have been amended, modified or superseded by any such correction or update, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until the Required Lenders, in their sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedule.

7. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Lender to make Loans and of the Issuing Lender to issue Letters of Credit hereunder is subject to the performance by each of the Loan Parties of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

7.1 First Loans and Letters of Credit.

7.1.1 Deliveries. On the Closing Date, the Administrative Agent shall have received each of the following in form and substance reasonably satisfactory to the Administrative Agent:

(i) A certificate of each of the Loan Parties signed by an Authorized Officer, dated the Closing Date stating that (w) all representations and warranties of the Loan Parties set forth in this Agreement are true and correct in all material respects, (x) the Loan Parties are in compliance with each of the covenants and conditions hereunder, (y) no Event of Default or Potential Default exists, and (z) no Material Adverse Change has occurred since the date of the last audited financial statements of the Borrower delivered to the Administrative Agent;

(ii) A certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary of each of the Loan Parties, certifying as appropriate as to: (a) all action taken by each Loan Party in connection with this Agreement and the other Loan Documents; (b) the names of the Authorized Officers authorized to sign the Loan Documents and their true signatures; and (c) copies of its organizational documents as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of each Loan Party in each state where organized or qualified to do business.

(iii) This Agreement and each of the other Loan Documents signed by an Authorized Officer and all appropriate financing statements and appropriate stock powers and certificates evidencing the pledged Collateral, including a pledge of all of the equity in Hourglass Sands and High Point.

(iv) A written opinion of counsel for the Loan Parties, dated the Closing Date and as to the matters set forth in Schedule 7.1.1.

(v) Evidence that adequate insurance, including flood insurance, if applicable, required to be maintained under this Agreement is in full force and effect, with additional insured, mortgagee and lender loss payable special endorsements attached thereto in form and substance satisfactory to the Administrative Agent and its counsel naming the Administrative Agent as additional insured, mortgagee and lender loss payee, and evidence that the Loan Parties have taken all actions required under the Flood Laws and/or requested by the Administrative Agent to assist in ensuring that each Lender is in compliance with the Flood Laws applicable to the Collateral, including, but not limited to, providing the Administrative Agent with the address and/or GPS coordinates of each structure on any real property that will be subject to a mortgage in favor of the Administrative Agent, for the benefit of the Lenders, and, to the extent required, obtaining flood insurance for such property, structures and contents prior to such property, structures and contents becoming Collateral.

(vi) All material consents, approvals and licenses required to effectuate the transactions contemplated hereby.

(vii) All lessor consents allowing for, among other things, a Lien to be obtained upon any lease of the Borrower of the Real Property, from the lessors of such lease, as required by the Administrative Agent, in its sole discretion, to have such consents, which such consents shall be in form and substance acceptable to the Administrative Agent (the "**Lessor Consents**").

(viii) To permit the refinancing by the Lenders of the loans outstanding under the 2014 Credit Agreement, (1) the Borrower shall request Loans in an amount sufficient to refinance the loans under the 2014 Credit Agreement by delivering to the Administrative Agent an appropriately completed irrevocable Loan Request not later than 11:00 a.m., on the first Borrowing Date (which shall be the Closing Date) pursuant to which Loans (to which the Base Rate Option applies) are requested; and (2) contemporaneously with the execution and effectiveness of this Agreement and utilizing a portion of the proceeds of the Loans, the Borrower shall pay in full all amounts outstanding under the 2014 Credit Agreement, including all unpaid principal, interest, breakage fees and all other fees and charges thereunder in order to accomplish the amendment and restatement thereof as of the Closing Date. Each Lender that was a bank under the 2014 Credit Agreement, by execution of this Agreement, waives all notice of prepayment of loans and all notice of termination of the commitments under the 2014 Credit Agreement, and consents to such termination and prepayment. In the event that the Borrower submits a Loan Request hereunder, then the Borrower agrees to indemnify the Lenders for any and all liabilities, losses, or expenses arising therefrom in accordance with the standards set forth in Section 5.10 [Indemnity], regardless of whether this Agreement has become effective.

(ix) A Lien search in acceptable scope and with acceptable results.

(x) Evidence that after giving effect to the transactions contemplated by the Loan Documents, the Borrower has a sufficient mine bonding capacity (or other security available for the issuance of permits, including without limitation, letters of credit) to conduct its operations as contemplated in accordance with the financial projections of the Borrower and its Subsidiaries provided to the Administrative Agent.

(xi) Evidence that all of Required Mining Permits with respect to the Loan Parties are in full force and effect in accordance with their terms.

(xii) Audited financial statements of Borrower for the fiscal year ended December 31, 2017, prepared in accordance with GAAP and consolidating schedules for the balance sheet, statement of income, retained earnings and cash flow of the Borrower certified (subject to normal year-end audit adjustments and without footnotes) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP, all as more fully described in Section 8.3.2 [Annual Financial Statements].

(xiii) The projected pro-forma financial projections (including balance sheets and statements of operations and cash flows) of the Borrower for each fiscal year from 2018 through 2021, which shall be satisfactory to the Administrative Agent (including all assumptions).

(xiv) Completion of all necessary FEMA flood zone diligence requirements.

(xv) Satisfactory completion and receipt of all third-party due diligence items, including, but not limited to the Energy Ventures Market Study, each in form and substance satisfactory to the Administrative Agent.

(xvi) An Authorized Officer of each Loan Party, acting in their capacities as such officers, shall have delivered a certificate in form and substance satisfactory to the Administrative Agent as to the capital adequacy and solvency of each Loan Party after giving effect to the transactions contemplated hereby.

(xvii) A review of the amount and nature of all tax, ERISA, employee retirement benefit, environmental and all other contingent liabilities to which the Loan Parties may be subject.

(xviii) The Administrative Agent and each Lender shall have received, in form and substance acceptable to Administrative Agent and each Lender an executed Certificate of Beneficial Ownership and such other documentation and other information requested in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act.

(xix) A duly completed Compliance Certificate dated as of the Closing Date pursuant to which Borrower certifies that it shall be in compliance on a Pro Forma Basis with the covenants contained in Section 8.2.15 [Minimum Debt Service Coverage Ratio] and Section 8.2.16 [Maximum Leverage Ratio] upon the closing and funding of the Loans hereunder.

(xx) Such other documents in connection with such transactions as the Administrative Agent or its counsel may reasonably request.

7.1.2 Payment of Fees. The Borrower shall have paid all fees and expenses payable on or before the Closing Date or arranged for funding of such fees and expenses out of the proceeds of the initial Loans.

7.2 Each Loan or Letter of Credit. At the time of making any Loans or issuing, extending or increasing any Letters of Credit and after giving effect to the proposed extensions of credit: the representations, warranties and covenants of the Loan Parties shall then be true and no Event of Default or Potential Default shall have occurred and be continuing; the making of the Loans or issuance, extension or increase of such Letter of Credit shall not contravene any Law applicable to any Loan Party or any Specified Excluded Subsidiary, or any of the Lenders; the making of the Loans shall not result in the Borrower or the Loan Parties having any Cash Surplus at such time, and the Borrower shall have delivered to the Administrative Agent a duly executed and completed Loan Request or to the Issuing Lender an application for a Letter of Credit, as the case may be.

8. COVENANTS

The Loan Parties, jointly and severally, covenant and agree that until Payment In Full, the Loan Parties shall comply at all times with the following covenants:

8.1 Affirmative Covenants.

8.1.1 Preservation of Existence, Etc. Each Loan Party shall, and shall cause each Specified Excluded Subsidiary to, maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 8.2.6 [Liquidations, Mergers, Consolidations, Acquisitions] or where failure to do so would not result in a Material Adverse Change.

8.1.2 Payment of Liabilities, Including Taxes, Etc. Each Loan Party shall, and shall cause each Specified Excluded Subsidiary to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made.

8.1.3 Maintenance of Insurance. Each Loan Party shall, and shall cause each Specified Excluded Subsidiary to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation and public liability) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary, all as reasonably determined by the Administrative Agent. The Loan Parties shall comply with the covenants and provide the endorsement set forth on Schedule 8.1.3 relating to property and related insurance policies covering the Collateral. Each Loan Party shall take all actions required under the Flood Laws and/or requested by the Administrative Agent to assist in ensuring that each Lender is in compliance with the Flood Laws applicable to the Collateral, including, but not limited to, providing the Administrative Agent with the address and/or GPS coordinates of each structure on any real property that will be subject to a mortgage in favor of the Administrative Agent, for the benefit of the Lenders, and, to the extent required, obtaining flood insurance for such property, structures and contents prior to such property, structures and contents becoming Collateral, and thereafter maintaining such flood insurance in full force and effect for so long as required by the Flood Laws.

8.1.4 Maintenance of Properties and Leases. Each Loan Party shall, and shall cause each Specified Excluded Subsidiary to, maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and from time to time, such Loan Party will make or cause to be made all appropriate repairs, renewals or replacements thereof.

8.1.5 Visitation Rights. Each Loan Party shall, and shall cause each Specified Excluded Subsidiary to, permit any of the officers or authorized employees or representatives of the Administrative Agent or any of the Lenders to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as any of the Lenders may reasonably request, provided that each Lender shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection. In the event any Lender desires to conduct such visit or inspection of any Loan Party, such Lender shall make a reasonable effort to conduct such visit or inspection contemporaneously with any audit to be performed by the Administrative Agent and such visits or inspections shall be subject to customary safety procedures.

8.1.6 Keeping of Records and Books of Account. Each Loan Party shall, and shall cause each Specified Excluded Subsidiary to, maintain and keep proper books of record and account which enable the Loan Parties and the Specified Excluded Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over any Loan Party, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

8.1.7 Compliance with Laws; Use of Proceeds. Each Loan Party shall, and shall cause each Specified Excluded Subsidiary to, comply with all applicable Laws, including all Environmental Laws, in all material respects; provided that it shall not be deemed to be a violation of this Section 8.1.7 if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change. The Loan Parties will use the Letters of Credit and the proceeds of the Loans only in accordance with Section 2.8 [Use of Proceeds] and as permitted by applicable Law. Without limiting the generality of the foregoing, the Loan Parties shall maintain adequate allowances on its books in accordance with GAAP for (i) future costs associated with any lung disease claim alleging pneumoconiosis or silicosis or arising out of exposure or alleged exposure to coal dust or the coal mining environment, (ii) future costs associated with retiree and health care benefits, (iii) future costs associated with reclamation of disturbed acreage, removal of facilities and other closing costs in connection with its mining activities and (iv) future costs associated with other potential environmental liabilities.

8.1.8 Further Assurances. Each Loan Party shall, from time to time, at its expense, faithfully preserve and protect the Administrative Agent's Lien on and Prior Security Interest in the Collateral and all other real and personal property of the Loan Parties whether now owned or hereafter acquired as a continuing first priority perfected Lien, subject only to Permitted Liens, and shall do such other acts and things as the Administrative Agent in its sole discretion may deem necessary or advisable from time to time in order to preserve, perfect and protect the Liens granted under the Loan Documents and to exercise and enforce its rights and remedies thereunder with respect to the Collateral.

8.1.9 Anti-Terrorism Laws. (a) No Covered Entity will become a Sanctioned Person, (b) no Covered Entity, either in its own right or through any third party, will (A) have any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (B) do business in or with, or derive any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; (C) engage in any dealings or transactions prohibited by any Anti-Terrorism Law or (D) use the Loans to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law, (c) the funds used to repay the Obligations will not be derived from any unlawful activity, (d) each Covered Entity shall comply with all Anti-Terrorism Laws, and (e) the Borrower shall promptly notify the Agent in writing upon the occurrence of a Reportable Compliance Event.

8.1.10 Keepwell. Each Qualified ECP Loan Party jointly and severally (together with each other Qualified ECP Loan Party) hereby absolutely unconditionally and irrevocably (a) guarantees the prompt payment and performance of all Swap Obligations owing by each Non-Qualifying Party (it being understood and agreed that this guarantee is a guaranty of payment and not of collection), and (b) undertakes to provide such funds or other support as may be needed from time to time by any Non-Qualifying Party to honor all of such Non-Qualifying Party's obligations under this Agreement or any other Loan Document in respect of Swap Obligations (provided, however, that each Qualified ECP Loan Party shall only be liable under this Section 8.1.10 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 8.1.10, or otherwise under this Agreement or any other Loan Document, voidable under applicable law, including applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Loan Party under this Section 8.1.10 shall remain in full force and effect until payment in full of the Obligations and termination of this Agreement and the other Loan Documents. Each Qualified ECP Loan Party intends that this Section 8.1.10 constitute, and this Section 8.1.10 shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18(A)(v)(II) of the CEA.

8.1.11 Collateral and Additional Collateral; Execution and Delivery of Additional and Ancillary Security Documents.

(i) Pursuant to the Loan Documents, the Loan Parties and Hallador Sands and its Subsidiaries shall grant, or cause to be granted, to the Administrative Agent, for the benefit of the Lenders, a first priority security interest in and lien on, subject only to Permitted Liens (A) all Collateral, including (i) all equity interests in the Loan Parties (other than Borrower) and Hallador Sands and the equity interests in each Subsidiary of Hallador Sands that is held by such Loan Party or by Hallador Sands or any of its Subsidiaries; (ii) all equity interests owned by the Loan Parties of each existing and subsequently acquired or created Subsidiary including, without limitation, all equity interests in Hallador Sands and each of its Subsidiaries that are held by the Loan Parties or Hallador Sands and the Subsidiaries of Hallador Sands that are wholly owned by a Subsidiary of Hallador Sands in which Hallador Sands directly or indirectly holds 100% of the voting membership interests (but excluding the Loan Parties' equity interests in the other Excluded Subsidiaries), but only up to 65% of the equity interests of any Foreign Subsidiaries; (iii) all equity interests in Hallador Renewables and (iv) all of the other assets of the Loan Parties including all accounts, inventory, as-extracted collateral, fixtures, equipment, investment property, instruments, chattel paper, general intangibles, coal reserves, methane gas reserves, coal bed methane reserves, oil, gas and mineral rights, owned and leased Real Property, leasehold interests, patents and trademarks of each such Loan Parties and (B) all other assets of the Loan Parties, whether owned on the Closing Date or subsequently acquired;

(ii) Without limiting the generality of the foregoing, each applicable Loan Party which owns or leases any real property shall promptly, but in any event within six months of acquiring or leasing such real property (or such later date as the Administrative Agent may approve in its sole discretion), (a) execute and deliver any and all (1) Mortgages or Mortgage Amendments substantially in the form of Exhibit 1.1(M)(1) or Exhibit 1.1(M)(2), as applicable, and (2) other Security Documents and Ancillary Security Documents reasonably requested by the Agent to grant a first priority Lien (subject only to Permitted Liens), (b) with respect to any Real Property on which any Loan Party obtains title insurance, provide the Administrative Agent with notice that it is receiving such title insurance, and, at the Administrative Agent's request, have such title insurer provide the Lenders with a lender's title insurance policy in an equivalent amount on such Real Property, and (c) with respect to any leased Real Property, any Lessor Consents that the Administrative Agent reasonably requests, in such Loan Party's interest in such real property (other than Excluded Collateral), in favor of the Administrative Agent, for the ratable benefit of the Lenders, as security for the Obligations. In furtherance of the foregoing, the Loan Parties shall diligently cooperate with and assist, at their own expense, the Administrative Agent in procuring any and all Mortgages, Security Documents, Ancillary Security Documents and Lessor Consents. Each Loan Party hereby appoints any officer or agent of the Administrative Agent as its true and lawful attorney, for it and in its name, place and stead, to make, execute, deliver, and cause to be recorded or filed any or all such Mortgages, deeds of trust, assignments, pledges, security interests, financing statements and additional documents and agreements relating thereto, granting unto said attorney full power to do any and all things said attorney may consider reasonably necessary or appropriate to be done with respect to the Mortgages as fully and effectively as such Loan Party might or could do, and hereby ratifying and confirming all its said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the terms of this Agreement and all transactions hereunder. All reasonable out-of-pocket costs and expenses incurred by the Administrative Agent in connection with the exercise of the rights under this Section 8.1.11(ii) shall be paid by the Loan Parties on demand of the Administrative Agent. The Loan Parties, the Lenders and the Administrative Agent agree that without any further action on the part of any of them, upon execution and/or delivery, the Mortgages, other Security Documents, the Ancillary Security Documents and Lessor Consents shall become Loan Documents and the assets that are subject to the Mortgages and the other Security Documents shall become collateral for the Obligations.

8.1.12 Maintenance of Coal Supply Agreements and Material Contracts. Each Loan Party shall maintain and materially comply with the terms and conditions of all coal supply agreements and material agreement or contract, the nonperformance of which would reasonably be expected to result in a Material Adverse Change.

8.1.13 Maintenance of Licenses, Etc. Each Loan Party shall maintain in full force and effect all licenses, franchises, permits and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Change.

8.1.14 Maintenance of Permits. Each Loan Party shall maintain all Required Mining Permits in full force and effect in accordance with their terms.

8.1.15 Post Closing Title Insurance and Additional Mortgages. The Loan Parties shall, within thirty (30) days after the Closing Date (or such later date as may be agreed to by Administrative Agent in its sole discretion) provide title insurance and/or title insurance endorsements with respect to all Real Property for which a title insurance policy has previously been issued in favor of the Administrative Agent and in form and substance reasonably satisfactory to the Administrative Agent. The Loan Parties shall, within sixty (60) days after the Closing Date (or such later date as may be agreed to by Administrative Agent in its sole discretion) provide Administrative Agent with the documentation (and take all necessary action to cooperate with the Administrative Agent in furtherance thereof) as required under clause (ii) of Section 8.1.11 [Collateral and Additional Collateral; Execution and Delivery of Additional Security Documents] for any Real Property which is listed on the Schedule 1.1(R) which is attached to this Agreement as of the Closing Date, but for which a Lien on such Real Property has not yet been granted to the Administrative Agent for the benefit of the Lenders pursuant to a Mortgage and other appropriate Security Documents as of the Closing Date.

8.1.16 Certificate of Beneficial Ownership and Other Additional Information. The Loan Parties shall provide to Administrative Agent and the Lenders: (i) upon the reasonable request of Administrative Agent, confirmation of the accuracy of the information set forth in the most recent Certificate of Beneficial Ownership provided to the Administrative Agent and Lenders; (ii) a new Certificate of Beneficial Ownership, in form and substance reasonably acceptable to Administrative Agent and each Lenders, when the individual(s) to be identified as a Beneficial Owner have changed; and (iii) such other information and documentation as may reasonably be requested by Administrative Agent or any Lender from time to time for purposes of compliance by Administrative Agent or such Lender with applicable laws (including without limitation the USA Patriot Act and other "know your customer" and anti-money laundering rules and regulations), and any policy or procedure implemented by Administrative Agent or such Lender to comply therewith.

8.2 Negative Covenants.

8.2.1 Indebtedness. Each of the Loan Parties shall not at any time create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness under the Loan Documents;

(ii) Existing Indebtedness as set forth on Schedule 8.2.1 (including any extensions or renewals thereof; provided there is no increase in the amount thereof or other significant change in the terms thereof unless otherwise specified on Schedule 8.2.1;

(iii) Capitalized and operating leases, subject to the limitations of Section 8.2.14 [Capital Expenditures and Leases];

(iv) Other than as set forth on Schedule 8.2.1, Indebtedness secured by Purchase Money Security Interests not exceeding $5,000,000 outstanding (in the aggregate) at any time;

(v) Indebtedness of a Loan Party to another Loan Party which is subordinated pursuant to the Intercompany Subordination Agreement;

(vi) Any (i) Lender Provided Interest Rate Hedge, (ii) other Interest Rate Hedge approved by the Administrative Agent or (iii) Indebtedness under any Other Lender Provided Financial Services Product;

(vii) Guaranties permitted under Section 8.2.3 [Guaranties];

(viii) Indebtedness representing deferred compensation to employees incurred in the ordinary course of business;

(ix) Indebtedness to current or former officers, directors, employees, their respective estates, spouses, or former spouses to finance the purchase or redemption of equity interests in the Borrower in aggregate amount not to exceed $500,000 outstanding in the aggregate at any time;

(x) Indebtedness in respect of netting services, automated clearinghouse arrangements, overdraft protections, and similar arrangements, in each case in connection with deposit accounts incurred in the ordinary course;

(xi) Indebtedness consisting of the financing of insurance premiums arising in the ordinary course of business;

(xii) Indebtedness incurred in respect of warehouse receipts or similar instruments issued or created in the ordinary course of business;

(xiii) Indebtedness incurred in connection with any PPP Loan;

(xiv) Indebtedness incurred and/or assumed in connection with a Permitted Acquisition in an amount not to exceed $5,000,000 in the aggregate for all such Permitted Acquisitions;

(xv) Obligations in respect of performance, bid, appeal, and surety bonds and performance and completion guaranties and similar obligations (including without limitation, letters of credit posted in lieu of such bonds and obligations) provided by the Loan Parties; and

(xvi) Other unsecured Indebtedness or subordinated debt of the Loan Parties in an aggregate amount outstanding not to exceed $5,000,000.

8.2.2 Liens. Each of the Loan Parties shall not at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens.

8.2.3 Guaranties. Each of the Loan Parties shall not, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person, except for (a) Guaranties of Indebtedness of the Loan Parties permitted hereunder, and (b) Guaranties of obligations or liabilities of any Specified Excluded Subsidiary, but only if such Guaranties are not guaranties of anything which is otherwise prohibited under Section 8.2.17 [Restrictions on Specified Excluded Subsidiaries].

8.2.4 Loans and Investments. Each of the Loan Parties shall not at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) advances to employees to meet expenses incurred by such employees in the ordinary course of business;

(iii) Permitted Investments;

(iv) loans, advances and investments in other Loan Parties;

(v) investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business;

(vi) investments and loans not to exceed $5,000,000 at any time outstanding, provided that the Borrower shall, at least five (5) Business Days prior to such investment or loan, deliver a compliance certificate, in form and substance reasonably satisfactory to the Administrative Agent, certifying that, prior to and immediately after making such investment or loan: (a) the Leverage Ratio (on a Pro Forma Basis) after giving effect thereto, is less than or equal to 2.50 to 1.00, (b) the amount of Availability shall not be less than $30,000,000 and (c) there shall exist no Event of Default;

(vii) advances of payroll payments to employees in the ordinary course of business;

(viii) investments or loans in any Specified Excluded Subsidiary not to exceed $30,000,000 in the aggregate at any time outstanding, provided that the Borrower shall, at least five (5) Business Days prior to such investment or loan, deliver a compliance certificate, in form and substance reasonably satisfactory to the Administrative Agent, certifying that, prior to and immediately after making such investment or loan: (a) the Leverage Ratio (on a Pro Forma Basis) after giving effect thereto, is less than or equal to 2.0 to 1.0, (b) the amount of Availability shall not be less than $30,000,000 and (c) there shall exist no Event of Default; and

(ix) investments in Sunrise Indemnity, Inc., a Delaware corporation, in an amount equal to the Loan Parties' and their Subsidiaries' required insurance premiums and assessments.

8.2.5 Dividends and Related Distributions. Each of the Loan Parties shall not make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests, except (i) subject to Section 8.2.17 [Restrictions on Specified Excluded Subsidiaries], dividends or other distributions payable to another Loan Party, (ii) dividends or other distributions not to exceed $0.16 per share multiplied by (A) the outstanding shares of Borrower as of the Closing Date (other than equity issued to employees, officers, or directors of any Loan Party that is issued in connection with such person's compensation), plus (B) any shares issued after the Closing Date in connection with any Equity Issuances, at any given time per fiscal year, provided that the Borrower shall, at least five (5) Business Days prior to such dividend or distribution, deliver a compliance certificate, in form and substance reasonably satisfactory to the Administrative Agent certifying that, prior to and immediately after making such dividend or distribution: (a) the Leverage Ratio (on a Pro Forma Basis) after giving effect thereto, is less than or equal to 2.0 to 1.0, (b) the amount of Availability shall not be less than $30,000,000 and (c) there shall exist no Event of Default; and (iii) dividends or other distributions equal to an amount less than or equal to the Net Specified Excluded Subsidiary Distribution Amount received by the Loan Parties for the trailing twelve month period, provided that prior to making such dividends or distributions, the Borrower shall deliver a compliance certificate, in form and substance reasonable satisfactory to the Administrative Agent, certifying: (a) that the Leverage Ratio for the fiscal quarter most recently ended and the Leverage Ratio (on a Pro Forma Basis) after giving effect thereto, are both less than or equal to 2.0 to 1.0, (b) that the amount of Availability prior to and after giving effect thereto is greater than or equal to $30,000,000, and (c) that the Fixed Charge Coverage Ratio (on a Pro Forma Basis) after giving effect thereto is greater than or equal to 1.0 to 1.0.

8.2.6 Liquidations, Mergers, Consolidations, Acquisitions. Each of the Loan Parties shall not dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person; provided that:

(1) any such Loan Party other than the Borrower may consolidate or merge into another Loan Party which is wholly-owned by one or more of the other Loan Parties,

(2) any Loan Party may acquire, whether by purchase or by merger, (A) all of the ownership interests of another Person or (B) substantially all of assets of another Person or of a business or division of another Person (each, including the Transaction, a "Permitted Acquisition"), provided that each of the following requirements is met for each Permitted Acquisition:

(i) if the Loan Parties are acquiring the ownership interests in such Person, such Person shall execute a Guarantor Joinder and join this Agreement as a Guarantor pursuant to Section 8.2.9 [Subsidiaries, Partnerships and Joint Ventures] on or before the date of such Permitted Acquisition;

(ii) the Loan Parties, such Person and its owners, as applicable, shall grant Liens in the assets of or acquired from and stock or other ownership interests in such Person and otherwise comply with Section 8.2.9 [Subsidiaries, Partnerships and Joint Ventures] on or before the date of such Permitted Acquisition;

(iii) the board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition;

(iv) the business acquired, or the business conducted by the Person whose ownership interests are being acquired shall comply with Section 8.2.10 [Continuation of or Change in Business];

(v) no Potential Default or Event of Default shall exist immediately prior to and immediately after giving effect to such Permitted Acquisition;

(vi) the Borrower shall demonstrate that it will be in compliance on a Pro Forma Basis with the covenant contained in Section 8.2.16 [Maximum Leverage Ratio] for the four quarter period immediately after giving effect to such Permitted Acquisition by delivering at least five (5) Business Days prior to such Permitted Acquisition a compliance certificate, in form and substance reasonably satisfactory to the Administrative Agent that evidences such compliance, except that for the sole purpose of measuring such Pro Forma Basis compliance, the maximum ratio set forth in Section 8.2.16 [Maximum Leverage Ratio] shall be deemed to be reduced by 0.50;

(vii) the Consideration paid by the Loan Parties for such Permitted Acquisition and all other Permitted Acquisitions made during the period after the Closing Date and the date of such Permitted Acquisition shall not exceed $50,000,000;

(viii) the Borrower shall demonstrate that prior to and immediately after giving effect to such Permitted Acquisition that the amount of Availability shall be greater than or equal to $30,000,000; and

(ix) the Loan Parties shall deliver to the Administrative Agent at least five (5) Business Days before such Permitted Acquisition copies of any agreements entered into or proposed to be entered into by such Loan Parties in connection with such Permitted Acquisition and shall deliver to the Administrative Agent such other information about such Person or its assets as the Administrative Agent may reasonably require.

8.2.7 Dispositions of Assets or Subsidiaries. Each of the Loan Parties shall not sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary of such Loan Party) which are, or would become, Collateral under any of the Loan Documents, except:

(i) transactions involving the sale of inventory in the ordinary course of business;

(ii) any sale, transfer or lease of assets in the ordinary course of business which are obsolete or no longer necessary or required in the conduct of such Loan Party's or such Subsidiary's business, including the sale, transfer or exchange of any owned or leased Real Property, or the election by the Borrower to terminate or to allow to expire the leases of any Real Property, that the Borrower has determined is not necessary or feasible for use in its mining operations;

(iii) any sale, transfer or lease of assets in the ordinary course of business which are replaced by substitute assets acquired or leased; provided such substitute assets are subject to the Lenders' Prior Security Interest (subject to Permitted Liens);

(iv) any sale of accounts receivable in connection with Alcoa Power Generating Inc. ("**Alcoa**") in an amount to not exceed $5,000,000.00 per calendar month pursuant to the terms of that certain Supplier Agreement by and between Sunrise Coal, LLC and Citibank, N.A.;

(v) a disposition of assets acquired in a Permitted Acquisition, within 270 days of such Permitted Acquisition, that are not necessary or required in the conduct of such Loan Party's business;

(vi) any sale, transfer or lease of assets, including Borrower's interests in any Subsidiary other than any Specified Excluded Subsidiary, the aggregate amount of which does not exceed $10,000,000, other than those specifically excepted pursuant to clauses (i) through (v) above;

(vii) subject to the mandatory prepayment requirements of Section 5.7.4, the sale of equity interests in any Specified Excluded Subsidiary, provided that (A) the Borrower (x) retains at least 51% of the equity interests of such Specified Excluded Subsidiary or (y) sells 100% of its equity interests in such Specified Excluded Subsidiary, (B) the Borrower receives fair market value for the sale of such equity, and (C) 75% or more of the consideration for the sale of such interests in such Specified Excluded Subsidiary shall be in cash and/or cash equivalents; and

(viii) any sale, transfer or lease of assets from one Loan Party to another Loan Party so long as the Loan Parties provide the Administrative Agent with ten (10) days written notice prior to such sale, transfer or lease and, in the event that such assets are or would become Collateral under any of the Loan Documents, the Loan Parties shall cooperate fully in ensuring that a Lien in such assets shall be continued or granted, as applicable, in favor of the Administrative Agent for the benefit of the Lenders and such Loan Party shall take such other steps as the Administrative Agent deems reasonable and/or necessary to faithfully preserve and protect the Administrative Agent's Lien on and Prior Security Interest in, such Collateral unless such Collateral may otherwise be released pursuant to clauses (i) through (vii) of this Section 8.2.7.

8.2.8 Affiliate Transactions. Each of the Loan Parties shall not, and shall not permit any Specified Excluded Subsidiary to, enter into or carry out any transaction with any Affiliate of any Loan Party (including purchasing property or services from or selling property or services to, any Affiliate of any Loan Party) unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions which are fully disclosed to the Administrative Agent and is in accordance with all applicable Law.

8.2.9 Subsidiaries, Partnerships and Joint Ventures. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has joined this Agreement as Guarantor on the Closing Date; (ii) any Subsidiary formed or acquired (as permitted hereunder) after the Closing Date which joins this Agreement as a Guarantor by delivering to the Administrative Agent (A) a signed Guarantor Joinder; (B) documents in the forms described in Section 7.1 [First Loans and Letters of Credit] modified as appropriate; and (C) documents necessary to grant and perfect Prior Security Interests (subject to Permitted Liens) to the Administrative Agent for the benefit of the Lenders in the equity interests of, and Collateral held by, such Subsidiary; and (iii) any Excluded Subsidiary and any Subsidiary formed or acquired by any Excluded Subsidiary, provided, however, that any such Subsidiary of any Excluded Subsidiary shall be subject to the same terms and provisions of this Agreement which are applicable to such Excluded Subsidiary. None of the Loan Parties shall become or agree to become a party to a Joint Venture.

8.2.10 Continuation of or Change in Business. No Loan Party shall engage in any business other than a business that the Loan Parties are engaged in as of the Closing Date and reasonable extensions thereof, and such Loan Party shall not permit any material change in such business. The Loan Parties shall not permit Hallador Sands or any of its Subsidiaries to engage in any business other than the business that Hallador Sands and its Subsidiaries are engaged in as of the First Amendment Closing Date and reasonable extensions thereof, and the Loan Parties shall not permit any material change in such business. The Loan Parties shall not permit Hallador Renewables or any of its Subsidiaries to engage in any business other than renewable power generation and energy storage and reasonable extensions thereof.

8.2.11 Fiscal Year. The Loan Parties shall not, and shall not permit any Specified Excluded Subsidiary to, change its fiscal year from the twelve-month period beginning January 1 and ending December 31, except with the written consent of the Administrative Agent, such consent not to be unreasonably withheld.

8.2.12 Issuance of Stock. Each of the Loan Parties (other than Borrower) shall not, and shall not permit any Specified Excluded Subsidiary to, issue any additional shares of its capital stock or any options, warrants or other rights in respect thereof.

8.2.13 Changes in Organizational Documents. Each of the Loan Parties shall not, and shall not permit any Specified Excluded Subsidiary to, amend in any respect its certificate of incorporation (including any provisions or resolutions relating to capital stock), by-laws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents without providing at least ten (10) calendar days' prior written notice to the Administrative Agent and the Lenders and, in the event such change would be adverse to the Lenders as determined by the Administrative Agent in its reasonable discretion, obtaining the prior written consent of the Required Lenders.

8.2.14 Capital Expenditures and Leases. Each of the Loan Parties shall not make any payments on account of the purchase or lease of any assets which if purchased would constitute fixed assets or which if leased would constitute a capitalized lease to exceed (i) $30,000,000 for the 2020 fiscal year and (ii) $25,000,000 for each fiscal year thereafter; provided, however, if such payments made by the Loan Parties in any fiscal year (including the 2020 fiscal year) are less than the amounts permitted for such fiscal year, then the lesser of $5,000,000 or such unpaid amounts may be added by the Loan Parties to the amounts permitted to be used for payments in future years, it being understood that any carryover amount applicable to a particular succeeding fiscal year shall be expended in such fiscal year first before the applicable non-carry over amount permitted to be expended in such fiscal year is expended.

8.2.15 Minimum Debt Service Coverage Ratio.

The Loan Parties shall not at any time permit the Debt Service Coverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended (i) for the fiscal quarter ending March 31, 2020 through the fiscal quarter ending December 31, 2021, to be less than 1.05 to 1.00, (ii) for the fiscal quarters ending June 30, 2022 and September 30, 2022, to be less than 1.05 to 1.00, and (iii) for the fiscal quarter ending December 31, 2022 and thereafter, to be less than 1.25 to 1.00.

8.2.16 Maximum Leverage Ratio. The Loan Parties shall not at any time permit the Leverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, to exceed the applicable amounts set forth below:

Fiscal Periods Ending	**Ratio**
March 31, 2020 through June 30, 2020	4.00 to 1.00
September 30, 2020 through December 31, 2020	3.50 to 1.00
March 31, 2021 through June 30, 2021	3.25 to 1.00
September 30, 2021 through September 30, 2022	3.00 to 1.00
December 31, 2022 and each fiscal quarter thereafter	2.50 to 1.00

8.2.17 Restrictions on Specified Excluded Subsidiaries.

(a) The Loan Parties shall not at any time permit any Specified Excluded Subsidiary to (i) create, incur, assume or suffer to exist Indebtedness for Borrowed Money, (ii) create, incur, assume or suffer to exist any Lien on any of its properties or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens (other than Liens described in clauses (viii) and (ix) of the definition of "Permitted Liens" in Section 1.1, which shall not be permitted to be incurred by any Specified Excluded Subsidiary), (iii) other than investments and loans made to a Specified Excluded Subsidiary Investee with the proceeds of an investment or loan pursuant to Section 8.2.4(viii) [Loans and Investments], make investments, loans, or dispositions or acquisitions of assets except in the ordinary course of business, (iv) merge or consolidate with any Person, (v) make any distributions (other than ratable distributions on equity), or (vi) in the case of Hallador Sands or any Subsidiary of Hallador Sands, form any Subsidiary unless Hallador Sands and such Subsidiary pledges the equity interests that such Person holds in such newly formed or acquired Subsidiary as required by Section 8.1.11(i) of this Agreement.

(b) The Loan Parties shall not permit any Specified Excluded Subsidiary Investee to (i) create, incur, assume or suffer to exist Indebtedness for Borrowed Money or (ii) create, incur, assume or suffer to exist any Lien on any of its properties or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens (other than Liens described in clauses (viii) and (ix) of the definition of "Permitted Liens" in Section 1.1, which shall not be permitted to be incurred by any Specified Excluded Subsidiary Investee); provided that the limitations in this Section 8.2.17(b) shall not apply at any time that all investments and loans in the Specified Excluded Subsidiary that is the owner of the equity interests in such Specified Excluded Subsidiary Investee shall have been fully returned or repaid, as applicable, in cash (or in the form in which such investment or loan was made) to one or more Loan Parties. The Loan Parties shall cause each Specified Excluded Subsidiary to retain such voting or other rights with respect to its equity interests in each of its Specified Excluded Subsidiary Investees in order to be able to comply with the foregoing.

8.2.18 Cash Surplus. The Borrower may not borrow any Loans to the extent that (a) the Borrower and the Loan Parties have any Cash Surplus at such time, or (b) any such Loan would trigger a mandatory prepayment pursuant to Section 5.7 [Mandatory Prepayments] of this Agreement.

8.3 Reporting Requirements. The Loan Parties will furnish or cause to be furnished to the Administrative Agent and each of the Lenders.

8.3.1 Quarterly Financial Statements. As soon as available and in any event not later than the earlier to occur of (x) the 45th day after the close of each of the first three fiscal quarters of each fiscal year of the Borrower, and (y) five days after the date by which the Borrower is required to file its quarterly report on form 10-Q with the Securities and Exchange Commission (the "**SEC**") for the first three fiscal quarters of each fiscal year, financial statements of the Borrower, consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter and related consolidated statements of income, retained earnings and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments and without footnotes) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP, consistently applied, and including comments on any positive or negative variations from the Borrower's annual budget.

8.3.2 Annual Financial Statements. As soon as available and in any event not later than the earlier to occur of (x) the 90th day after the close of each fiscal year and (y) fifteen days after the date by which the Borrower is required to file its annual report on form 10-K with the SEC, unqualified audited financial statements of the Borrower consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, and related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, certified (subject to normal year-end audit adjustments and without footnotes) by independent certified public accountants satisfactory to the Administrative Agent as having been prepared in accordance with GAAP all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur) and shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement or duty of any Loan Party under any of the Loan Documents. The Loan Parties shall deliver with such financial statements and certification by their accountants a letter of such accountants to the Administrative Agent and the Lenders substantially to the effect that, based upon their ordinary and customary examination of the affairs of the Loan Parties, performed in connection with the preparation of such consolidated financial statements, and in accordance with GAAP, they are not aware of the existence of any condition or event which constitutes an Event of Default or Potential Default or, if they are aware of such condition or event, stating the nature thereof.

8.3.3 Certificates of the Borrower. Concurrently with the quarterly and annual financial statements of Borrower, as applicable furnished to the Administrative Agent and to the Lenders pursuant to Sections 8.3.1 [Quarterly Financial Statements] and 8.3.2 [Annual Financial Statements], a certificate (each a "**Compliance Certificate**") of Borrower signed by the President or Chief Financial Officer of Borrower, each in the form of Exhibit 8.3.3.

8.3.4 Notices.

8.3.4.1 Default. Promptly after any officer of any Loan Party has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by an Authorized Officer setting forth the details of such Event of Default or Potential Default and the action which such Loan Party proposes to take with respect thereto.

8.3.4.2 Litigation. Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person against any Loan Party or Subsidiary of any Loan Party which relate to the Collateral, involve a claim or series of claims in excess of $2,500,000 or which if adversely determined would constitute a Material Adverse Change.

8.3.4.3 Organizational Documents. Within the time limits set forth in Section 8.2.13 [Changes in Organizational Documents], any amendment to the organizational documents of any Loan Party.

8.3.4.4 Erroneous Financial Information. Immediately in the event that the Borrower or its accountants conclude or advise that any previously issued financial statement, audit report or interim review should no longer be relied upon or that disclosure should be made or action should be taken to prevent future reliance, notice in writing setting forth the details thereof and the action which the Borrower proposes to take with respect thereto.

8.3.4.5 ERISA Event. Immediately upon the occurrence of any ERISA Event, notice in writing setting forth the details thereof and the action which the Borrower proposes to take with respect thereto.

8.3.4.6 PPP Loan. Within two (2) Business Days after the receipt thereof, copies of any material notices received in respect of the SBA PPP Loan.

8.3.4.7 Other Reports. Promptly upon their becoming available to the Borrower:

(i) Annual Budget. The annual budget and any forecasts or projections of the Borrower, to be supplied not later than the commencement of the current fiscal year to which any of the foregoing may be applicable,

(ii) Management Letters. Any reports including management letters submitted to the Borrower by independent accountants in connection with any annual, interim or special audit, and

(iii) Other Information. Such other reports and information as any of the Lenders may from time to time reasonably request.

9. DEFAULT

9.1 Events of Default. An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

9.1.1 Payments Under Loan Documents. The Borrower shall fail to pay: (i) any principal of any Loan (including scheduled installments, mandatory prepayments or the payment due at maturity), Reimbursement Obligation or Letter of Credit Obligation on the date on which such payment becomes due in accordance with the terms hereof or thereof, or (ii) any interest on any Loan, Reimbursement Obligation or Letter of Credit Obligation or any other amount owing hereunder or under the other Loan Documents within three (3) Business Days of the date on which such interest or other amount becomes due in accordance with the terms hereof or thereof;

9.1.2 Breach of Warranty. Any representation or warranty made at any time by any of the Loan Parties herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

9.1.3 Anti-Terrorism Laws. Any representation or warranty contained in Section 6.1.22 [Anti-Terrorism Laws] is or becomes false or misleading at any time;

9.1.4 Breach of Negative Covenants or Visitation Rights or Anti-Terrorism Laws. Any of the Loan Parties shall default in the observance or performance of any covenant contained in Section 8.1.5 [Visitation Rights], Section 8.1.9 [Anti-Terrorism Laws] or Section 8.2 [Negative Covenants];

9.1.5 Breach of Other Covenants. Any of the Loan Parties shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of thirty (30) days;

9.1.6 Defaults in Other Agreements or Indebtedness. A default or event of default shall occur at any time under the terms of (i) any PPP Loan Document or (ii) any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor in excess of $10,000,000 in the aggregate, and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any Indebtedness when due (whether at stated maturity, by acceleration or otherwise) or if such breach or default permits or causes the acceleration of any Indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

9.1.7 Final Judgments or Orders. Any final judgments or orders for the payment of money in excess of $10,000,000 in the aggregate shall be entered against any Loan Party by a court having jurisdiction in the premises, which judgment is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry;

9.1.8 Loan Document Unenforceable. Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective Liens, security interests, rights, titles, interests, remedies, powers or privileges intended to be created thereby;

9.1.9 Uninsured Losses; Proceedings Against Assets. There shall occur any material uninsured damage to or loss, theft or destruction of any of the Collateral in excess of $3,500,000 or the Collateral or any other of the Loan Parties' or any of their Subsidiaries' assets are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter;

9.1.10 Events Relating to Pension Plans and Benefit Arrangements. (i) An ERISA Event occurs with respect to a Pension Plan which has resulted or could reasonably be expected to result in liability of Borrower or any member of the ERISA Group under Title IV of ERISA to the Pension Plan or the PBGC in an aggregate amount in excess of $2,500,000, or (ii) Borrower or any member of the ERISA Group fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $2,500,000;

9.1.11 Change of Control. A Change of Control shall occur.

9.1.12 Relief Proceedings. (i) A Relief Proceeding shall have been instituted against any Loan Party or Subsidiary of a Loan Party and such Relief Proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days or such court shall enter a decree or order granting any of the relief sought in such Relief Proceeding, (ii) any Loan Party or Subsidiary of a Loan Party institutes, or takes any action in furtherance of, a Relief Proceeding, or (iii) any Loan Party or any Subsidiary of a Loan Party ceases to be Solvent or admits in writing its inability to pay its debts as they mature.

9.2 Consequences of Event of Default.

9.2.1 Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings. If an Event of Default specified under Sections 9.1.1 through 9.1.11 shall occur and be continuing, the Lenders and the Administrative Agent shall be under no further obligation to make Loans and the Issuing Lender shall be under no obligation to issue Letters of Credit and the Administrative Agent may, and upon the request of the Required Lenders, shall (i) by written notice to the Borrower, declare the unpaid principal amount of the Notes then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Lenders hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Administrative Agent for the benefit of each Lender without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (ii) require the Borrower to, and the Borrower shall thereupon, deposit in a non-interest-bearing account with the Administrative Agent, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Administrative Agent and the Lenders, and grants to the Administrative Agent and the Lenders a security interest in, all such cash as security for such Obligations; and

9.2.2 Bankruptcy, Insolvency or Reorganization Proceedings. If an Event of Default specified under Section 9.1.12 [Relief Proceedings] shall occur and be continuing, the Lenders shall be under no further obligations to make Loans hereunder and the Issuing Lender shall be under no obligation to issue Letters of Credit and the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Lenders hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived; and

9.2.3 Set-off. If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Lender, and each of their respective Affiliates and any participant of such Lender or Affiliate which has agreed in writing to be bound by the provisions of Section 5.3 [Sharing of Payments] is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the Issuing Lender or any such Affiliate or participant to or for the credit or the account of any Loan Party against any and all of the Obligations of such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender, the Issuing Lender, Affiliate or participant, irrespective of whether or not such Lender, Issuing Lender, Affiliate or participant shall have made any demand under this Agreement or any other Loan Document and although such Obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender or the Issuing Lender different from the branch or office holding such deposit or obligated on such Indebtedness. The rights of each Lender, the Issuing Lender and their respective Affiliates and participants under this Section 9.2.3 are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Lender or their respective Affiliates and participants may have. Each Lender and the Issuing Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application; and

9.2.4 Enforcement of Rights and Remedies. Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with this Section 9.2 for the benefit of all the Lenders and the Issuing Lender; provided that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) the Issuing Lender or the Swing Loan Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as the Issuing Lender or Swing Loan Lender, as the case may be) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 9.2.3 (subject to the terms of Section 5.3 [Sharing of Payments by Lenders]), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Insolvency Proceeding; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to this Section 9.2.4, and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 5.3 [Sharing of Payments by Lenders]), any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders; and

9.2.5 Application of Proceeds. From and after the date on which the Administrative Agent has taken any action pursuant to this Section 9.2 and until Payment In Full, any and all proceeds received by the Administrative Agent from any sale or other disposition of the Collateral, or any part thereof, or the exercise of any other remedy by the Administrative Agent, shall be applied as follows:

(i) First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts, including attorney fees, payable to the Administrative Agent in its capacity as such, the Issuing Lender in its capacity as such and the Swing Loan Lender in its capacity as such, ratably among the Administrative Agent, the Issuing Lender and Swing Loan Lender in proportion to the respective amounts described in this clause (i) payable to them;

(ii) Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders under the Loan Documents, including attorney fees, ratably among the Lenders in proportion to the respective amounts described in this clause (ii) payable to them;

(iii) Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and Reimbursement Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause (iii) payable to them;

(iv) Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, Reimbursement Obligations and amounts to cash collateralize any undrawn amounts under outstanding Letters of Credit, and payment obligations then owing under Lender Provided Interest Rate Hedges and Other Lender Provided Financial Service Products, ratably among the Lenders, the Issuing Lender, and the Lenders or Affiliates of Lenders which provide Lender Provided Interest Rate Hedges and Other Lender Provided Financial Service Products, in proportion to the respective amounts described in this clause (iv) held by them; and

(v) Last, the balance, if any, to the Loan Parties or as required by Law.

Notwithstanding anything to the contrary in this Section 9.2.5, no Swap Obligations of any Non-Qualifying Party shall be paid with amounts received from such Non-Qualifying Party under its Guaranty Agreement (including sums received as a result of the exercise of remedies with respect to such Guaranty Agreement) or from the proceeds of such Non-Qualifying Party's Collateral if such Swap Obligations would constitute Excluded Hedge Liabilities; provided, however, that to the extent possible, appropriate adjustments shall be made by the Administrative Agent with respect to the allocation of payments and/or the proceeds of Collateral from other Loan Parties that are Eligible Contract Participants with respect to such Swap Obligations to preserve the ratable payment of the Obligations among the Lenders as contemplated by Section 9.2.5(iv) after taking into account payments made by, or proceeds received from, any Non-Qualifying Party in respect of the Obligations.

10. THE ADMINISTRATIVE AGENT

10.1 Appointment and Authority. Each of the Lenders and the Issuing Lender hereby irrevocably appoints PNC Bank to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Section 10 are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Lender, and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

10.2 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Loan Party or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

10.3 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Potential Default or Event of Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.1 [Modifications, Amendments or Waivers] and 9.2 [Consequences of Event of Default]) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Potential Default or Event of Default unless and until notice describing such Potential Default or Event of Default is given to the Administrative Agent by the Borrower, a Lender or the Issuing Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Potential Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Section 7 [Conditions of Lending and Issuance of Letters of Credit] or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

10.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Lender unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Lender prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

10.5 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section 10 shall apply to any such sub agent and to the Related Parties of the Administrative Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

10.6 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Lender and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, with approval from the Borrower (so long as no Event of Default has occurred and is continuing), to appoint a successor, such approval not to be unreasonably withheld or delayed. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and the Issuing Lender, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the Issuing Lender under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the Issuing Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section 10.6. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section 10.6). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Section 10 and Section 11.3 [Expenses; Indemnity; Damage Waiver] shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

If PNC Bank resigns as Administrative Agent under this Section 10.6, PNC Bank shall also resign as an Issuing Lender. Upon the appointment of a successor Administrative Agent hereunder, such successor shall (i) succeed to all of the rights, powers, privileges and duties of PNC Bank as the retiring Issuing Lender and Administrative Agent and PNC Bank shall be discharged from all of its respective duties and obligations as Issuing Lender and Administrative Agent under the Loan Documents, and (ii) issue letters of credit in substitution for the Letters of Credit issued by PNC Bank, if any, outstanding at the time of such succession or make other arrangement satisfactory to PNC Bank to effectively assume the obligations of PNC Bank with respect to such Letters of Credit.

10.7 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the Issuing Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

10.8 No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the other Lenders listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the Issuing Lender hereunder.

10.9 Administrative Agent's Fee. The Borrower shall pay to the Administrative Agent a nonrefundable fee (the "**Administrative Agent's Fee**") under the terms of a letter (the "**Administrative Agent's Letter**") between the Borrower and Administrative Agent, as amended from time to time.

10.10 Authorization to Release Collateral and Guarantors. The Lenders and Issuing Lenders authorize the Administrative Agent to release (i) any Collateral consisting of assets or equity interests sold or otherwise disposed of in a sale or other disposition or transfer permitted under this Agreement, and (ii) any Guarantor from its obligations under the Guaranty Agreement if the ownership interests of such Guarantor in the Borrower are sold or otherwise disposed of or transferred to persons other than Loan Parties or Subsidiaries of the Loan Parties in a transaction permitted under this Agreement.

10.11 No Reliance on Administrative Agent's Customer Identification Program. Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Administrative Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "**CIP Regulations**"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any of the Loan Parties, their Affiliates or their agents, the Loan Documents or the transactions hereunder or contemplated hereby: (i) any identity verification procedures, (ii) any recordkeeping, (iii) comparisons with government lists, (iv) customer notices or (v) other procedures required under the CIP Regulations or such other Laws.

10.12 Certain Payments.

(a) Each Lender hereby agrees that (i) if the Administrative Agent notifies such Lender that the Administrative Agent has determined in its sole discretion that any funds received by such Lender from the Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Lender (whether or not known to such Lender (whether as a payment, prepayment or repayment of principal, interest, fees or otherwise), individually and collectively, an "**Erroneous Payment**") and demands the return of such Erroneous Payment (or a portion thereof), such Lender shall promptly, but in no event later than one Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Lender to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Overnight Bank Funding Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect, and (ii) such Lender shall not assert any right or claim to the Erroneous Payment, and hereby waives any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payments received, including without limitation waiver of any defense based on "discharge for value" or any similar doctrine. A notice of the Administrative Agent to any Lender under this clause (a) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Lender hereby further agrees that if it receives an Erroneous Payment from the Administrative Agent (or any of its Affiliates) (i) that is in an amount different than (other than a *de minimis* difference), or on a different date from, that specified in a notice of payment sent by the Administrative Agent (or any of its Affiliates) with respect to such Erroneous Payment (an "**Erroneous Payment Notice**"), or (ii) that was not preceded or accompanied by an Erroneous Payment Notice, it shall be on notice that, in each such case, an error has been made with respect to such Erroneous Payment. Each Lender further agrees that, in each such case, or if it otherwise becomes aware an Erroneous Payment (or portion thereof) may have been sent in error, such Lender shall promptly notify the Administrative Agent of such occurrence and, upon demand from the Administrative Agent, it shall promptly, but in no event later than one (1) Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) that was received by such Lender to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Overnight Bank Funding Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(c) The Borrower and each other Loan Party hereby agree that (i) in the event an Erroneous Payment (or portion thereof) is not recovered from any Lender that has received such Erroneous Payment (or portion thereof) for any reason, the Administrative Agent shall be subrogated to all the rights of such Lender with respect to such amount and (ii) an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower or any other Loan Party.

(d) Each party's obligations under this Section 10.12 shall survive the resignation or replacement of the Administrative Agent or any transfer of rights or obligations by, or the replacement of, a Lender, the termination of the Commitments or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Loan Document.

11. MISCELLANEOUS

11.1 Modifications, Amendments or Waivers. With the written consent of the Required Lenders, the Administrative Agent, acting on behalf of all the Lenders, and the Borrower, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Lenders or the Loan Parties hereunder or thereunder, or may grant written waivers or consents hereunder or thereunder. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Lenders and the Loan Parties; provided, that no such agreement, waiver or consent may be made which will:

11.1.1 Increase of Commitment. Increase the amount of the Revolving Credit Commitment, Term Loan Commitment or Swing Loan Commitment of any Lender hereunder without the consent of such Lender;

11.1.2 Extension of Payment; Reduction of Principal Interest or Fees; Modification of Terms of Payment. Whether or not any Loans are outstanding, extend the Expiration Date, Maturity Date, or the time for payment of principal or interest of any Loan (excluding the due date of any mandatory prepayment of a Loan), the Commitment Fee or any other fee payable to any Lender, or reduce the principal amount of or the rate of interest borne by any Loan or reduce the Commitment Fee or any other fee payable to any Lender, the Commitment Fee or any other fee payable to any Lender, without the consent of each Lender directly affected thereby;

11.1.3 Release of Collateral or Guarantor. Except for sales or other dispositions of assets permitted by this Agreement, release all or a majority of the Collateral or any Guarantor from its Obligations under the Guaranty Agreement without the consent of all Lenders (other than Defaulting Lenders); or

11.1.4 Miscellaneous. Amend Sections 5.2 [Pro Rata Treatment of Lenders], 10.3 [Exculpatory Provisions, Etc.] or 5.3 [Sharing of Payments by Lenders] or this Section 11.1, alter any provision regarding the pro rata treatment of the Lenders or requiring all Lenders to authorize the taking of any action or reduce any percentage specified in the definition of Required Lenders, in each case without the consent of all of the Lenders (other than Defaulting Lenders);

provided that no agreement, waiver or consent which would modify the interests, rights or obligations of the Administrative Agent, the Issuing Lender or PNC Bank in its capacity as the Swing Loan lender may be made without the written consent of the Administrative Agent, the Issuing Lender or PNC Bank, as applicable, and provided, further that, if in connection with any proposed waiver, amendment or modification referred to in Sections 11.1.1 through 11.1.4 above, the consent of the Required Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained (each a "**Non-Consenting Lender**"), then the Borrower shall have the right to replace any such Non-Consenting Lender with one or more replacement Lenders pursuant to Section 5.6.2 [Replacement of a Lender]. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender, and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

11.2 No Implied Waivers; Cumulative Remedies. No course of dealing and no delay or failure of the Administrative Agent or any Lender in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or of any other right, power, remedy or privilege. The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the other Loan Documents or that may now or hereafter exist at law or in equity or by suit or otherwise. No reasonable delay or failure to take action on the part of the Administrative Agent or any Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default.

11.3 Expenses; Indemnity; Damage Waiver.

11.3.1 Costs and Expenses. The Borrower shall pay (i) all reasonable out of pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Administrative Agent, in connection with the syndication of the credit facilities that have occurred on or prior to the Closing Date as provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of pocket expenses incurred by the Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iii) all reasonable out-of pocket expenses incurred by the Administrative Agent, any Lender or the Issuing Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the Issuing Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or the Issuing Lender, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out-of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit, and (iv) all reasonable out-of-pocket expenses of the Administrative Agent's regular employees and agents engaged periodically to perform audits of the Loan Parties' books, records and business properties.

11.3.2 Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the Issuing Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or nonperformance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) breach of representations, warranties or covenants of the Borrower under the Loan Documents, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, including any such items or losses relating to or arising under Environmental Laws or pertaining to environmental matters, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This Section 11.3.2 [Indemnification by the Borrower] shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

11.3.3 Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Sections 11.3.1 [Costs and Expenses] or 11.3.2 [Indemnification by the Borrower] to be paid by it to the Administrative Agent (or any sub-agent thereof), the Issuing Lender or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Issuing Lender or such Related Party, as the case may be, such Lender's Ratable Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or Issuing Lender in connection with such capacity.

11.3.4 Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in Section 11.3.2 [Indemnification by Borrower] shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

11.3.5 Payments. All amounts due under this Section 11.3.5 shall be payable not later than ten (10) days after demand therefor.

11.4 Holidays. Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day (except as provided in Section 4.3 [Interest Periods]) and such extension of time shall be included in computing interest and fees, except that the Loans shall be due on the Business Day preceding the Expiration Date or Maturity Date if the Expiration Date or Maturity Date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

11.5 Notices; Effectiveness; Electronic Communication.

11.5.1 Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 11.5.2 [Electronic Communications]), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier (i) if to a Lender, to it at its address set forth in its administrative questionnaire, or (ii) if to any other Person, to it at its address set forth on Schedule 1.1(B).

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in Section 11.5.2 [Electronic Communications], shall be effective as provided in such Section.

11.5.2 Electronic Communications. Notices and other communications to the Lenders and the Issuing Lender hereunder may be delivered or furnished by electronic communication (including e mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices to any Lender or the Issuing Lender if such Lender or the Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

11.5.3 Change of Address, Etc. Any party hereto may change its address, e mail address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

11.6 Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

11.7 Duration; Survival. All representations and warranties of the Loan Parties contained herein or made in connection herewith shall survive the execution and delivery of this Agreement, the completion of the transactions hereunder and Payment In Full. All covenants and agreements of the Borrower contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in the Notes, Section 5 [Payments] and Section 11.3 [Expenses; Indemnity; Damage Waiver], shall survive Payment In Full. All other covenants and agreements of the Loan Parties shall continue in full force and effect from and after the date hereof and until Payment In Full.

11.8 Successors and Assigns.

11.8.1 Successors and Assigns Generally. The provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except: (i) to an assignee in accordance with the provisions of Section 11.8.2 [Assignments by Lenders], (ii) by way of participation in accordance with the provisions of Section 11.8.4 [Participations], or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 11.8.5 [Certain Pledges; Successors and Assigns Generally] (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 11.8.4 [Participations] and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

11.8.2 Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) In any case not described in clause (i)(A) of this Section 11.8.2, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption Agreement with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption Agreement, as of the Trade Date) shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except for the consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) and:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof; and

(B) the consent of the Issuing Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding).

(iv) Assignment and Assumption Agreement. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption Agreement, together with a processing and recordation fee of $3,500, and the assignee, if it is not a Lender, shall deliver to the Administrative Agent an administrative questionnaire provided by the Administrative Agent.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 11.8.3 [Register], from and after the effective date specified in each Assignment and Assumption Agreement, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 4.5 [LIBOR Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available], 5.8 [Increased Costs], and 11.3 [Expenses, Indemnity; Damage Waiver] with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 11.8.2 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 11.8.4 [Participations].

11.8.3 Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain a record of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time. Such register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is in such register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. Such register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

11.8.4 Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the Issuing Lender shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree (other than as is already provided for herein) to any amendment, modification or waiver with respect to Sections 11.1.1 [Increase of Commitment], 11.1.2 [Extension of Payment, Etc.], or 11.1.3 [Release of Collateral or Guarantor]) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.5 [Libor Rate Unascertainable, Etc.], 5.8 [Increased Costs], 5.10 [Indemnity] and 5.9 [Taxes] (subject to the requirements and limitations therein, including the requirements under Section 5.9.7 [Status of Lenders] (it being understood that the documentation required under Section 5.9.7 [Status of Lenders] shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 11.8.2 [Assignments by Lenders]; provided that such Participant (A) agrees to be subject to the provisions of Section 5.6.2 [Replacement of a Lender] and Section 5.6.3 [Designation of a Different Lending Office] as if it were an assignee under Section 11.8.2 [Assignments by Lenders]; and (B) shall not be entitled to receive any greater payment under Sections 5.8 [Increased Costs] or 5.9 [Taxes], with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 5.6.2 [Replacement of a Lender] and Section 5.6.3 [Designation of Different Lending Office] with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.2.3 [Set-off] as though it were a Lender; provided that such Participant agrees to be subject to Section 5.3 [Sharing of Payments by Lenders] as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

11.8.5 Certain Pledges; Successors and Assigns Generally. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

11.9 Confidentiality.

11.9.1 General. Each of the Administrative Agent, the Lenders and the Issuing Lender agrees to maintain the confidentiality of the Information, except that Information may be disclosed (i) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 11.9.1, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (B) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (vii) with the consent of the Borrower or (viii) to the extent such Information (Y) becomes publicly available other than as a result of a breach of this Section 11.9.1 or (Z) becomes available to the Administrative Agent, any Lender, the Issuing Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower or the other Loan Parties. Any Person required to maintain the confidentiality of Information as provided in this Section 11.9.1 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

11.9.2 Sharing Information With Affiliates of the Lenders. Each Loan Party acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Lender or by one or more Subsidiaries or Affiliates of such Lender and each of the Loan Parties hereby authorizes each Lender to share any information delivered to such Lender by such Loan Party and its Subsidiaries pursuant to this Agreement to any such Subsidiary or Affiliate subject to the provisions of Section 11.9.1 [General].

11.10 Counterparts; Integration; Effectiveness.

11.10.1 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof including any prior confidentiality agreements and commitments. Except as provided in Section 7 [Conditions Of Lending And Issuance Of Letters Of Credit], this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or e mail shall be effective as delivery of a manually executed counterpart of this Agreement.

The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement, any Assignment and Assumption or any other Loan Document and the transactions contemplated hereby or thereby shall be deemed to include an electronic symbol or process attached to a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record (each, an "**Electronic Signature**"), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; *provided* that nothing in any Loan Document shall require the Administrative Agent to accept Electronic Signatures in any form or format without its prior written consent. Without limiting the generality of the foregoing, each Loan Party (i) agrees that, for all purposes, including without limitation, in connection with any workout, restructuring, enforcement of remedies, bankruptcy proceedings or litigation among the Administrative Agent, the Lenders and the Loan Parties, electronic images of this Agreement or any other Loan Documents (in each case, including with respect to any signature pages thereto) shall have the same legal effect, validity and enforceability as any paper original, and (ii) waives any argument, defense or right to contest the validity or enforceability of the Loan Documents based solely on the lack of paper original copies of any Loan Documents, including with respect to any signature pages thereto.

11.11 CHOICE OF LAW; SUBMISSION TO JURISDICTION; WAIVER OF VENUE; SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

11.11.1 Governing Law. This Agreement shall be deemed to be a contract under the Laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles. Each standby Letter of Credit issued under this Agreement shall be subject either to the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "**ICC**") at the time of issuance ("**UCP**") or the rules of the International Standby Practices (ICC Publication Number 590) ("**ISP98**"), as determined by the Issuing Lender, and each trade Letter of Credit shall be subject to UCP, and in each case to the extent not inconsistent therewith, the Laws of the Commonwealth of Pennsylvania without regard to is conflict of laws principles.

11.11.2 SUBMISSION TO JURISDICTION. THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA SITTING IN ALLEGHENY COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE WESTERN DISTRICT OF PENNSYLVANIA, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH PENNSYLVANIA STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE ISSUING LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

11.11.3 WAIVER OF VENUE. THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN THIS SECTION 11.11. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT AND AGREES NOT ASSERT ANY SUCH DEFENSE.

11.11.4 SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 11.5.1 [NOTICES GENERALLY]. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

11.11.5 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, ADMINISTRATIVE AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.8.5.

11.12 USA Patriot Act Notice. Each Lender that is subject to the USA Patriot Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies Loan Parties that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of Loan Parties and other information that will allow such Lender or Administrative Agent, as applicable, to identify the Loan Parties in accordance with the USA Patriot Act.

11.13 Certain ERISA Matters.

11.13.1 Lender ERISA Representations. Each Lender (x) represents and warrants, as of the later date of the date of this Agreement or the date such Person became a Lender party hereto, to, and (y) covenants, from the date which is the later of the date of this Agreement or the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and its Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with such Lender's Loans, the Letters of Credit or the Commitments hereunder,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent and such Lender.

11.13.2 Additional Lender ERISA Representations. In addition, unless sub-clause (i) in the immediately preceding Section 11.13.1 is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding Section 11.13.1, such Lender further (x) represents and warrants, as of the later of the date of this Agreement or the date such Person became a Lender party hereto, to, and (y) covenants, from the date which is the later of the date of this Agreement or the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and its Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that:

(i) none of the Administrative Agent or any of its Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least $50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations),

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Letters of Credit, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(v) no fee or other compensation is being paid directly to the Administrative Agent or any of its Affiliates for investment advice (as opposed to other services) in connection with the Loans, the Letters of Credit, the Commitments or this Agreement.

(c) The Administrative Agent hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

11.14 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and (b) the effects of any Bail-in Action on any such liability, including, if applicable, (i) a reduction in full or in part or cancellation of any such liability; (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

11.15 Amendment and Restatement. This Agreement amends and restates in its entirety the 2014 Credit Agreement; and the Loan Parties confirm that the 2014 Credit Agreement, the other Loan Documents and the Collateral for the Obligations thereunder (as all such capitalized terms are defined in the 2014 Credit Agreement) have at all times, since the date of the execution and delivery of such documents, remained in full force and effect and continued to secure such obligations which are continued as the Obligations hereunder as amended hereby; and all such Collateral (as defined in the 2014 Credit Agreement) shall continue to secure the Obligations hereunder. The Loans hereunder are a continuation of the Loans under (and as such terms are defined in) the 2014 Credit Agreement. The Loan Parties, the Administrative Agent and the Lenders acknowledge and agree that the amendment and restatement of the 2014 Credit Agreement by this Agreement is not intended to constitute, nor does it constitute, a novation, interruption, suspension of continuity, satisfaction, discharge or termination of the obligations, loans, liabilities, or indebtedness under the 2014 Credit Agreement and the other Loan Documents (as such term is defined therein) thereunder or the collateral security therefor and this Agreement and the other Loan Documents are entitled to all rights and benefits originally pertaining to the 2014 Credit Agreement and the other Loan Documents (as such term is defined therein). For the avoidance of doubt, the Loan Parties, the Administrative Agent and the Lenders acknowledge and agree that upon execution of this Agreement by the parties hereto, Hallador Energy Company shall be the Borrower hereunder and shall no longer be, and is hereby released as, a Guarantor under this Agreement and any other Loan Document (but shall be bound as a Borrower), and Sunrise Coal, LLC shall be a Guarantor hereunder and shall no longer be, and is hereby released as, the Borrower under this Agreement and any other Loan Documents (but shall be bound as a Guarantor).

[Signature Pages Intentionally Omitted]

Exhibit 21.1

List of Subsidiaries

Edwardsport Construction Company, LLC

Gibson County Logistics, LLC

Hallador Sands, LLC

Hallador Power Company

Hourglass Sands, LLC

High Point Land Holdings LLC

Oaktown Fuels Mine No. 1, LLC

Oaktown Fuels Mine No. 2, LLC

Prosperity Mine, LLC

Railpoint Solutions, LLC

SFI Coal Sales, LLC

Summit Terminal, LLC

Sunrise Administrative Services, LLC

Sunrise Coal LLC

Sunrise Energy, LLC

Sunrise Indemnity, Inc.

Sunrise Land Holdings, LLC

Sycamore Coal, Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-261930, 333-163431 and 333-171778) of Hallador Energy Company (the "Company") of our report dated March 28, 2022 relating to the financial statements as of and for the years ended December 31, 2021 and 2020, which appears in this Form 10-K.

/s/Plante & Moran, PLLC
Denver, Colorado
March 28, 2022

Exhibit 31.1

CERTIFICATION

I, Brent K. Bilsland, certify that:

1. I have reviewed this annual report on Form 10-K of Hallador Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 28, 2022 /s/ BRENT K. BILSLAND
Brent K. Bilsland, Chairman, President and CEO

Exhibit 31.2

CERTIFICATION

I, Lawrence D. Martin, certify that:

1. I have reviewed this annual report on Form 10-K of Hallador Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 28, 2022 /s/LAWRENCE D. MARTIN
Lawrence D. Martin, CFO

Exhibit 31.3

CERTIFICATION

I, R. Todd Davis, certify that:

1. I have reviewed this annual report on Form 10-K of Hallador Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 28, 2022 /S/R. TODD DAVIS
R. Todd Davis, CAO

Exhibit 32

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report (the "Report"), of Hallador Energy Company (the "Company"), on Form 10-K for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof the undersigned, in the capacities and date indicated below, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 28, 2022 By: /S/BRENT K. BILSLAND
Brent K. Bilsland, Chairman, President and CEO

March 28, 2022 By: /S/LAWRENCE D. MARTIN
Lawrence D. Martin, CFO

March 28, 2022 By: /S/R. TODD DAVIS
R. Todd Davis, CAO

Exhibit 95

Mine Safety Disclosure

Our principles at Sunrise Coal, LLC are safety, honesty, and compliance. We firmly believe that these values compose a dedicated workforce and with that, come high production. The core to this is our strong training programs that include accident prevention, workplace inspection and examination, emergency response and compliance. We work with the Federal and State regulatory agencies to help eliminate safety and health hazards from our workplace and increase safety and compliance awareness throughout the mining industry.

We are regulated by the Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 ("Mine Act"). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. We present information below regarding certain violations which MSHA has issued with respect to our mines. While assessing this information please consider that the number and cost of violations will vary depending on the MSHA inspector and can be contested and appealed, and in that process, are often reduced in severity and amount, and are sometimes dismissed.

The disclosures listed below are provided pursuant to the Dodd-Frank Act. We believe that the following disclosures comply with the requirements of the Dodd-Frank Act; however, it is possible that future SEC rule making may require disclosures to be filed in a different format than the following.

The table that follows outline required disclosures and citations/orders issued to us by MSHA during 2021. The citations and orders outlined below may differ from MSHA`s data retrieval system due to timing, special assessed citations, and other factors.

Definitions:

Section 104(a) Significant and Substantial Citations "S&S"*:* An alleged violation of a mining safety or health standard or regulation where there exists a reasonable likelihood that the hazard outlined will result in an injury or illness of a serious nature.

Section 104(b) Orders: Failure to abate a 104(a) citation within the period of time prescribed by MSHA. The result of which is an order of immediate withdraw of non-essential persons from the affected area until MSHA determines the violation has been corrected.

Section 104(d) Citations and Orders: An alleged unwarrantable failure to comply with mandatory health and safety standards.

Section 107(a) Orders: An order of withdraw for situations where MSHA has determined that an imminent danger exists.

Section 110(b)(2) Violations: An alleged flagrant violation issued by MSHA under section 110(b)(2) of the Mine Act.

Pattern or Potential Pattern of Violations: A pattern of violations of mandatory health or safety standards that are of such a nature as could have significantly and substantially contributed to the cause and effect of coal mine health or safety hazards under section 104(e) of the Mine Act or a potential to have such a pattern.

Contest of Citations, Orders, or Proposed Penalties: A contest proceeding may be filed with the Commission by the operator or miners/miner's representative to challenge the issuance or penalty of a citation or order issued by MSHA.

MSHA Federal Mine ID#`s:
(12-02465 – Carlisle Preparation Plant)
(12-02460 – Ace in the Hole Mine)
(12-02394 – Oaktown Fuels No. 1)
(12-02418 – Oaktown Fuels No. 2)
(12-02462 – Oaktown Fuels Preparation Plant)
(12-02249 – Prosperity Mine)

	2021					
Mine ID#	Section 104(a) Citations	Section 104(b) Orders	Section 104(d) Citations/Orders	Section 107(a) Orders	Section 110(b)(2) Violations	Proposed MSHA Assessments (In thousands)
12-02465	0	0	0	0	0	$ 0.00
12-02460	0	0	0	0	0	$ 0.12
12-02394	14	0	0	0	0	$ 35.00
12-02418	22	0	0	0	0	$ 48.50
12-02462	1	0	0	0	0	$ 2.50
12-02249	0	0	0	0	0	$ 0.00

Mine ID#	Section 104(e) Notice Yes/No	Section 104(e) POV Yes/No	Mining Related Fatalities	Legal Actions Pending	Legal Actions Initiated	Legal Actions Resolved
12-02465	No	No	0	0	0	0
12-02460	No	No	0	0	0	0
12-02394	No	No	0	0	0	0
12-02418	No	No	0	0	0	0
12-02462	No	No	0	0	0	0
12-02249	No	No	0	0	0	0

Mine ID#	Contest of Citations/ Orders	Contest of Penalties	Complaints of Compensation	Complaints of Discharge/ Discrimination	Applications of Temp. Relief	Appeals of Decisions/ Orders
12-02465	0	0	0	0	0	0
12-02460	0	0	0	0	0	0
12-02394	2	0	0	0	0	0
12-02418	3	0	0	0	0	0
12-02462	0	0	0	0	0	0
12-02249	0	0	0	0	0	0

TECHNICAL REPORT SUMMARY
COAL RESOURCES AND COAL RESERVES
OAKTOWN MINING COMPLEX
Indiana and Illinois

Prepared For
SUNRISE COAL, LLC

By
John T. Boyd Company
Mining and Geological Consultants

Pittsburgh, Pennsylvania, USA

Report No. 3467.002

MARCH 2022

John T. Boyd Company
Mining and Geological Consultants

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March 10, 2022
File: 3467.002
Sunrise Coal, LLC.
1183 E. Canvasback Drive
Terre Haute, IN 47802

Attention: Mr. Todd Davis
Chief Accounting Officer
Mr. Scott McGuire
Corporate Engineering

Subject: Technical Report Summary

Coal Resources and Coal Reserves
Oaktown Mining Complex
Indiana and Illinois

Ladies and Gentlemen:

This technical report summary provides the results of John T. Boyd Company's (BOYD) independent technical assessment of the coal resource and coal reserve estimates reported by Sunrise Coal, LLC (Sunrise) for the Oaktown Mining Complex as of December 31, 2021.

We wish to acknowledge the cooperation of Sunrise management and staff for providing the technical, financial, and legal information used in completing this project. Our findings are based on BOYD's extensive experience in preparing coal reserve estimates used in US Securities and Exchange Commission (SEC) filings, and our knowledge of coal mining operations in the Illinois Basin (ILB) and throughout the world.

Respectfully submitted,

JOHN T. BOYD COMPANY
By:

John T. Boyd II
President and CEO

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GLOSSARY OF ABBREVIATIONS AND DEFINITIONS

$	:	US dollar(s)
%	:	Percent or percentage
As-Received Basis	:	Data or results are calculated to the moisture condition of the coal sample when it arrived at the testing facility.
ASTM	:	ASTM International (formerly American Society for Testing and Materials)
BOYD	:	John T. Boyd Company
Btu	:	British thermal unit. A unit of heat; it is defined as the amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit.
CM	:	Continuous Miner
CPP	:	Coal Preparation Plant
Coal	:	Combustible sedimentary rock in which organic matter, including residual moisture comprises more than 50% by weight and more than 70% by volume of carbonaceous material formed from altered plant remains.
Coal Reserve	:	An estimate of tonnage and grade or quality of indicated and measured coal resources that, in the opinion of the qualified person, can be the basis of an economically viable project. More specifically, it is the economically mineable part of a measured or indicated coal resource, which includes diluting materials and allowances for losses that may occur when the material is mined or extracted.
Coal Resource	:	A concentration or occurrence of coal of economic interest in or on the Earth's crust in such form, quality, and quantity that there are reasonable prospects for economic extraction. A coal resource is a reasonable estimate of mineralization, considering relevant factors such as cut-off grade, likely mining dimensions, location, or continuity, that, with the assumed and justifiable technical and economic conditions, is likely to, in whole or in part, become economically extractable. It is not merely an inventory of all mineralization drilled or sampled.
CRDA	:	Coal Refuse Disposal Area
CSX	:	CSX Corporation. A rail-based freight transportation company
CY	:	Cubic yards
DCF	:	Discounted Cash Flow

DOR	:	Indiana Department of Natural Resources' Division of Reclamation
Dry Basis	:	Data or results are calculated to a theoretical base as if there were no moisture in the coal sample.
EIA	:	U.S. Energy Information Administration
FOB	:	Free-on-Board
Hallador	:	Hallador Energy Company and its subsidiaries
ILB	:	Illinois Basin. Coal producing region consisting of Illinois, Indiana, and Western Kentucky.
Indicated Coal Resource	:	That part of a coal resource for which quantity and quality are estimated based on adequate geological evidence and sampling. The level of geological certainty associated with an indicated coal resource is sufficient to allow a qualified person to apply modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Because an indicated coal resource has a lower level of confidence than the level of confidence of a measured coal resource, an indicated coal resource may only be converted to a probable coal reserve.
INRD		Indiana Railroad Company. A rail-based freight transportation company
Inferred Coal Resource	:	That part of a coal resource for which quantity and quality are estimated based on limited geological evidence and sampling. The level of geological uncertainty associated with an inferred coal resource is too high to apply relevant technical and economic factors likely to influence the prospects of economic extraction in a manner useful for evaluation of economic viability. Because an inferred coal resource has the lowest level of geological confidence of all coal resources, which prevents the application of the modifying factors in a manner useful for evaluation of economic viability, an inferred coal resource may not be considered when assessing the economic viability of a mining project, and may not be converted to a coal reserve.
IRR	:	Internal rate-of-return
ISO		International Organization for Standardization
lb	:	Pound
LOM	:	Life-of-Mine
LW	:	Longwall

Measured Coal Resource	:	That part of a coal resource for which quantity and quality are estimated based on conclusive geological evidence and sampling. The level of geological certainty associated with a measured coal resource is sufficient to allow a qualified person to apply modifying factors, as defined herein, in sufficient detail to support detailed mine planning and final evaluation of the economic viability of the deposit. Because a measured coal resource has a higher level of confidence than the level of confidence of either an indicated coal resource or an inferred coal resource, a measured coal resource may be converted to a proven coal reserve or to a probable coal reserve
Mineral Reserve	:	*See* "*Coal Reserve*"
Mineral Resource	:	*See* "*Coal Resource*"
Modifying Factors		The factors that a qualified person must apply to indicated and measured coal resources and then evaluate to establish the economic viability of coal reserves. A qualified person must apply and evaluate modifying factors to convert measured and indicated coal resources to proven and probable coal reserves. These factors include, but are not restricted to: mining; processing; infrastructure; economic; marketing; legal; environmental compliance; plans, negotiations, or agreements with local individuals or groups; and governmental factors. The number, type and specific characteristics of the modifying factors applied will necessarily be a function of and depend upon the mineral, mine, property, or project.
MSHA	:	Mine Safety and Health Administration. A division of the U.S. Department of Labor
NS	:	Norfolk Southern Corporation. A rail-based freight transportation company.
NPV	:	Net Present Value
Oaktown Mining Complex	:	Oaktown Mining Complex. Includes the Oaktown Fuels No. 1 Mine, Oaktown Fuels No. 2 Mine and Oaktown Complex Coal Preparation Plant
OSD	:	Out-of-Seam Dilution. Rock, impurities recovered from above and below the coal seam with the coal seam during the normal mining process
OSMRE	:	Office of Surface Mining, Reclamation and Enforcement
Probable Coal Reserve	:	The economically mineable part of an indicated and, in some cases, a measured coal resource.

Production Stage Property	:	A property with material extraction of coal reserves.
Proven Coal Reserve	:	The economically mineable part of a measured coal resource which can only result from conversion of a measured coal resource.
QP	:	Qualified Person
Qualified Person	:	An individual who is: 1. A mineral industry professional with at least five years of relevant experience in the type of mineralization and type of deposit under consideration and in the specific type of activity that person is undertaking on behalf of the registrant; and 2. An eligible member or licensee in good standing of a recognized professional organization at the time the technical report is prepared. For an organization to be a recognized professional organization, it must: a. Be either: i. An organization recognized within the mining industry as a reputable professional association; or ii. A board authorized by U.S. federal, state, or foreign statute to regulate professionals in the mining, geoscience, or related field; b. Admit eligible members primarily based on their academic qualifications and experience; c. Establish and require compliance with professional standards of competence and ethics; d. Require or encourage continuing professional development; e. Have and apply disciplinary powers, including the power to suspend or expel a member regardless of where the member practices or resides; and f. Provide a public list of members in good standing.
R&P	:	Room-and-pillar
ROM	:	Run-of-Mine. The as-mined material including coal, in-seam rock partings mired with the coal, and out-of-seam dilution.
SGF	:	Specific gravity float
SEC	:	U.S. Securities and Exchange Commission
S-K 1300	:	Subpart 1300 and Item 601(b)(96) of the U.S. Securities and Exchange Commission’s Regulation S-K

Sunrise	:	Sunrise Coal, LLC and its subsidiaries
Ton	:	Short Ton. A unit of weight equal to 2,000 pounds
TPH	:	Tons per Hour
TPEH	:	Tons per Employee-Hour

1.0 EXECUTIVE SUMMARY

1.1 Introduction

Sunrise's Oaktown Mining Complex is a mining complex that includes two active underground room-and-pillar (R&P) mines—Oaktown Fuels No. 1 Mine and Oaktown Fuels No. 2 Mine—and the Oaktown Complex Coal Preparation Plant (CPP). BOYD was retained by Sunrise to complete an independent technical assessment of coal resource and coal reserve estimates for the Oaktown Mining Complex.

BOYD's findings as a result of the audit of Oaktown Mining Complex's coal resource and coal reserve estimates are based on our detailed examination of the supporting geologic, technical, and economic information obtained from: (1) Sunrise files, (2) discussions with Sunrise personnel, (3) records on file with regulatory agencies, (4) public sources, and (5) nonconfidential BOYD files.

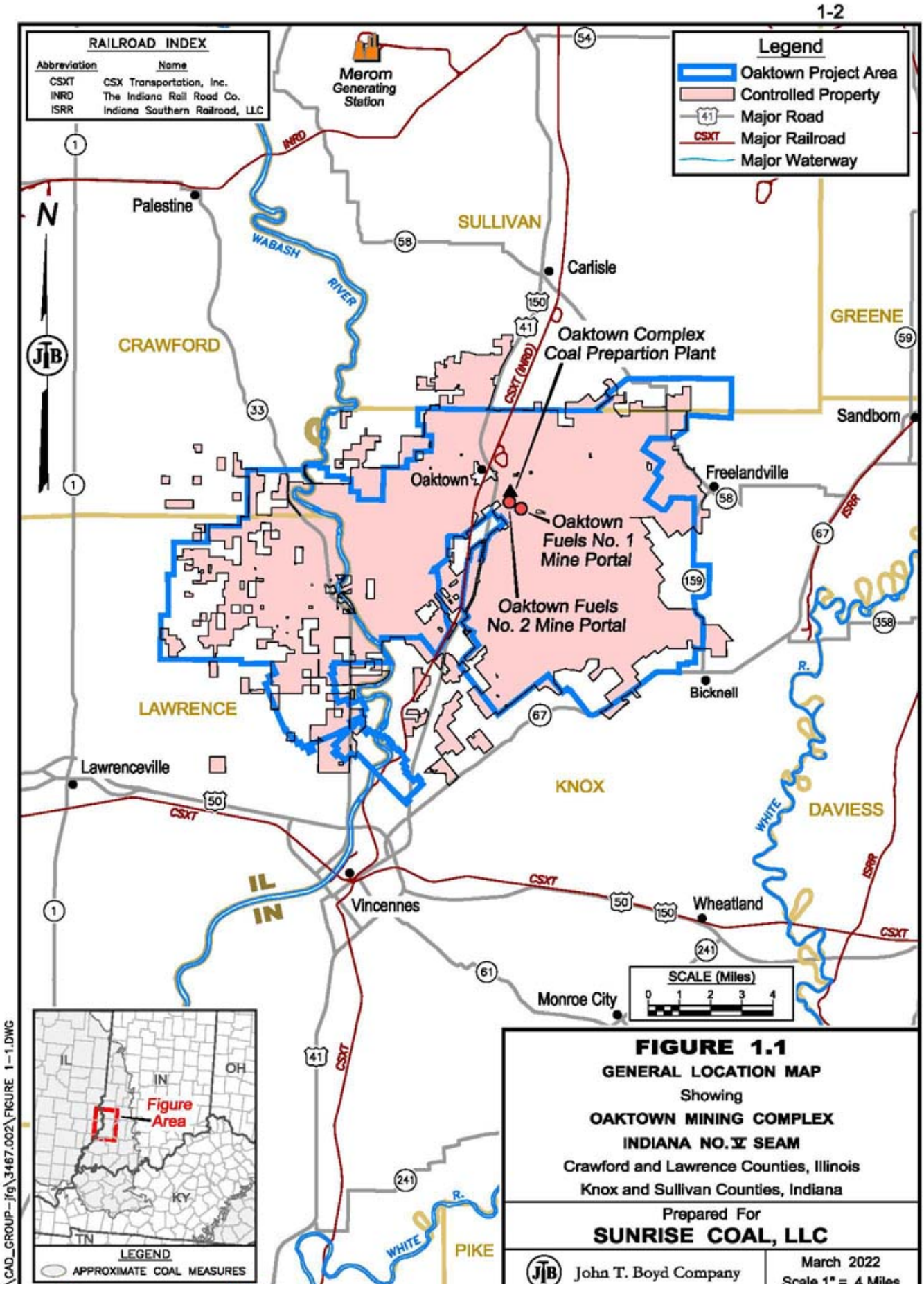
This technical report identifies and summarizes the results of our audit of the Oaktown Mining Complex coal reserves and independent assessment of the economic viability of extracts of the Oaktown Mining Complex coal reserves over the life of the mine and satisfies the requirements for Sunrise's disclosure of coal reserves set forth in Subpart 1300 and Item 601(b)(96) of the SEC's Regulation S-K (S-K 1300). This is the first technical report summary for the Oaktown Mining Complex. BOYD is a qualified person as defined in Regulation S-K 1300.

Weights and measurements are expressed in US customary units. Unless noted, the effective date of the information, including estimates of coal reserves, is December 31, 2021.

1.2 Property Description

The Oaktown Mining Complex is an active underground coal mining and processing operation located in Knox and Sullivan counties, Indiana, and Lawrence County, Illinois. The general location of the Oaktown Mining Complex is provided in Figure 1.1, following this page. The project lies in a well-developed region with a robust infrastructure.

Figure 1.1


1-2
RAILROAD INDEX
Abbreviation Name
CSXT CSX Transportation, Inc.
INRD The Indiana Rail Road Co.
ISRR Indiana Southern Railroad, LLC
Legend
Oaktown Project Area
Controlled Property
Major Road
Major Railroad
Major Waterway
Merom Generating Station
Palestine
WABASH RIVER
SULLIVAN
Carlisle
GREENE
CRAWFORD
Oaktown Complex Coal Prepartion Plant
Sandborn
Oaktown
Freelandville
Oaktown Fuels No. 1 Mine Portal
Oaktown Fuels No. 2 Mine Portal
Bicknell
LAWRENCE
Lawrenceville
KNOX
DAVIESS
IL
IN
Vincennes
Wheatland
Monroe City
PIKE
WHITE R.
SCALE (Miles)
0 1 2 3 4
Figure Area
LEGEND
APPROXIMATE COAL MEASURES
FIGURE 1.1
GENERAL LOCATION MAP
Showing
OAKTOWN MINING COMPLEX
INDIANA NO. V SEAM
Crawford and Lawrence Counties, Illinois
Knox and Sullivan Counties, Indiana
Prepared For
SUNRISE COAL, LLC
John T. Boyd Company
March 2022
Scale 1" = 4 Miles
\CAD_GROUP-jfg\3487.002\FIGURE 1-1.DWG

Located within the ILB coal-producing region of the midwestern United States, the Oaktown Mining Complex is one of the largest underground R&P coal mining complexes in North America.

The Oaktown Mining Complex mines coal exclusively form the Indiana V Seam (Illinois No. 5 Springfield Seam). Within the Oaktown Mining Complex mine plan boundaries, Sunrise currently maintains the right to mine and remove approximately 78% of the Indiana V Seam through lease agreements. Several small adverse (uncontrolled) tracts exist within the proposed life-of-mine (LOM) plan; however, Sunrise has demonstrated success in acquiring these as required during the ordinary course of business. BOYD is not aware of any encumbrances, litigation, or orders which would hinder continued development of the property.

The Indiana V Seam has been extensively mined in the ILB region and is one of two predominant coal seams of economic interest. Sunrise has demonstrated a history of successfully mining the Indiana V Seam at the Oaktown Mining Complex, with initial mining at the complex dating to 2009.

1.3 Geology

The Oaktown Mining Complex is situated in the Carbondale Group (Formation) of the Pennsylvania System. Near-surface geology of this area primarily consists of the overlying Quarternary System. Coal seams mined in this region are generally classified as medium- to high-sulfur content and moderate ash thermal coal products.

The Indiana V Seam is the only coal seam of economic interest on the property. Structurally, the Indiana V Seam consists of a singular and relatively consistent horizon averaging between 4 ft to 8 ft thick containing little in-seam parting. The Indiana V globally dips in the general westerly direction and experiences localized areas where the seam elevations vary. Pronounced gradients can occur periodically in the form of rolls in the seam. Depths for the Indiana V Seam range from approximately 300 ft to 450 ft below ground surface within the Oaktown Mining Complex area.

The Indiana V Seam coal bed is characterized as high sulfur and moderate ash coal that is used for steam purposes.

1.4 Exploration

The Indiana V Seam has been extensively explored and mined in the region, with drilling records dating prior to the inception of the Oaktown Mining Complex. Sunrise provided data for 1,895 drill holes that have intercepted the Indiana V Seam and have been complied for defining the lateral extent, thickness, and qualities (both raw and clean) of the Indiana V Seam in the immediate Oaktown Mining Complex project area.

BOYD's audit indicates that in general: (1) Sunrise has performed extensive drilling and sampling work on the subject property, (2) the work completed has been done by competent personnel, and (3) the amount of data available combined with wide-spread knowledge of the Indiana V Seam, is sufficient to confirm the thickness, lateral extents, and quality characteristics of the Indiana V Seam.

1.5 Coal Resources/Reserves

Sunrise's estimated underground mineable coal reserves for the Oaktown Mining Complex total 71.4 million recoverable (clean) product tons remaining as of December 31, 2021. The coal reserves controlled by Sunrise are summarized in Table 1.1.

Table 1.1: Coal Reserves Summary

			Average Product Quality (As Received Basis)				
			%				Heating Value (Btu/lb)
Mine	Classification	Product Tons (millions)	Total Moisture	Sulfur	Ash	SO2 (lbs/MMBtu)	
Oaktown No. 1	Proven	40.1	13.00	3.5	7.4	6.0	11,519
	Probable	0.4	13.00	3.6	7.4	6.2	11,525
	Total	40.5	13.00	3.5	7.4	6.0	11,519
Oaktown No. 2	Proven	29.7	13.00	3.3	7.9	5.7	11,540
	Probable	1.2	13.00	3.2	8.0	5.6	11,520
	Total	30.9	13.00	3.3	7.9	5.6	11,540
Total - All Mines	Proven	69.8	13.00	3.4	7.6	5.9	11,528
	Probable	1.6	13.00	3.3	7.8	5.8	11,522
	Total	71.4	13.00	3.4	7.6	5.9	11,528

Table 1.2, below, provides a breakdown of the coal reserves by control type and permit status.

Table 1.2: Coal Reserves by Category

	Product Tons (millions)	%
Control Type		
Owned	-	-
Leased	71.4	100.0
Permit Status		
Permitted	66.1	92.6
Not Permitted	5.3	7.4

It is BOYD's opinion that extraction of the reported coal reserves is technically achievable and economically viable after the consideration of potentially material modifying factors. Periodic amendments to existing mining permits to add additional acreage (reserve tonnage) in order to sustain coal production is common practice. We are not aware of any issues which would impact or prevent the present "Not Permitted" reserves to be permitted as future mining needs dictate. We are also not aware of any prohibition against the proposed mining and processing activities.

There are no reportable coal resources excluding those converted to coal reserves for the Oaktown Mining Complex.

1.6 Operations

1.6.1 Mining

The Oaktown Mining Complex is comprised of the Oaktown Fuels No. 1 and Oaktown Fuels No. 2 underground mines. Each mine utilizes R&P mining (employing continuous miners [CMs]) for primary production. This mining method is highly productive and commercially demonstrated; it has been one of the primary approaches to mining the Indiana V Seam for decades. Oaktown Mining Complex has utilized this mining method since the inception of each operation. To date, Oaktown Mining Complex has produced a combined 58.3 million tons of clean coal. The complex is configured to operate up to seven CM sections, with an annual production target of approximately 8 million product tons. The Oaktown Mining Complex is generally considered an industry leader in terms of mining productivity and mining costs when compared to other R&P underground operations.

It is BOYD's opinion that the forecasted production levels for the Oaktown Mining Complex operations are reasonable, logical, and consistent with typical R&P mining practices in the Indiana V Seam and historical practices utilized by Sunrise. The Oaktown Mining Complex LOM plans developed by BOYD show a relatively stable production output until individual production sections are retired corresponding to reserve exhaustion. In the aggregate, the Oaktown Mining Complex LOM plan projects the complex will produce approximately 131.6 million tons of run-of-mine (ROM) coal (91.6 million saleable tons after processing) during the next 17 years (through 2038).

1.6.2 Processing

The Oaktown Complex CPP serves as the coal washing facility for the Oaktown Mining Complex's two R&P mines. The plant was commissioned in 2009 to wash coal produced by the Oaktown Fuels No. 1 Mine. The Oaktown Complex CPP has a current processing capacity of 1,600 raw tons-per-hour (TPH).

The beneficiation process utilized at the Oaktown Mining Complex has a proven performance record and has remained relatively unchanged for decades. The plant's ability to blend raw coal production from the two underground mines into a singular plant feed allows for both more consistent plant operation and the ability to achieve differing clean coal qualities for various customer specifications.

1.6.3 Other Infrastructure

The Oaktown Mining Complex underground mines and CPP are supported by several surface infrastructure sites. Major surface infrastructure includes ancillary buildings, high-voltage power distribution stations, ROM coal conveyor belts, CPP refuse facilities, underground access and ventilation structures, and truck/rail loading systems.

Product coal from the Oaktown Mining Complex is transported to its customer base via rail, truck, or a combination of both. The Oaktown Complex CPP is served by both the CSX Railroad and Indiana Railroad (INRD) via a rail spur and rail loop that connects the complex with the mainline rail just north of Oaktown, Indiana. Additionally, the Oaktown Complex CPP can facilitate the loading of trucks for direct transport to select customers, or to Sunrise's transload facility in Princeton, Indiana serviced by the Norfolk Southern (NS) Railroad.

The Oaktown Complex refuse facility serves as the disposal location for all waste rock (coarse coal refuse) and portions of the fine coal slurry (fine coal refuse) produced during the processing of coal. The majority of the fine coal slurry is transported overland via a network of pumps and pipelines for underground disposal within mined out void areas of the Oaktown Fuels No. 1 and No. 2 Mines.

1.7 Financial Analysis

1.7.1 Market Analysis

The Oaktown Mining Complex's product is thermal coal that is directed into the US coal-fired generation market. Historically, this market accounts for all of the Oaktown Mining Complex annual sales.

Coal use among domestic power generators has fallen out of favor in several of the individual states of the United States and is being replaced by natural gas and renewable forms of generation. However, several states are positioned to remain largely reliant upon coal for power generation, such as Indiana. Sunrise anticipates its geographical location, reputation for sustained production, and well-capitalized infrastructure well position the complex to continue supplying coal into the Indiana market and other domestic coal markets when opportunities present.

1.7.2 Capital and Operating Costs

The ILB is widely recognized as being ideally suited for commercial scale mining through R&P mining methods. The region's Indiana V Seam is conducive to efficient, low-cost production R&P operations. In terms of total dollars expended per year, cash operating costs for R&P mines contain a mixture of variable and fixed costs. Unit costs, therefore, will vary mostly due to changes in production and less so with regard to general inflation and major mine site changes.

During the historical review period of 2018 – 2021, total cash operating costs per saleable ton for the Oaktown Mining Complex were within the range of $27 to $31 per saleable ton. While each of the individual mines may have realized higher or lower operating costs annually, their operation in parallel aids in the complex's ability to minimize short-term periods of individual mine coal production decreases and/or increases in operating costs.

The Oaktown Mining Complex is regarded as being well-capitalized comparatively to industry peers. Continual capital expenditures have been ongoing by Sunrise in recent years to support mine infrastructure expansions, maintenance of production equipment, refuse placement, etc. Historical annual capital expenditures were found to be within the range of $3 to $4 per saleable ton for the Oaktown Mining Complex.

BOYD found Sunrise's forecasted operating and capital costs to be indicative of the complex's historical performance and in general agreement with BOYD's independent LOM forecasts.

1.7.3 Economic Analysis

The results of our indicative economic analysis for Oaktown Mining Complex over the 17-year period (2022 to 2038) shows a net present value (NPV) of $674 million for the expected case at a 12% discount rate. The coal sales price estimated over the life of the reserves averages $47 (ranging from $42 to $65). The cash flow estimates are positive even after performing independent sensitivity analyses of up to 10% variation in sales price. Based on this analysis, BOYD concludes that the stated coal reserves are economically viable under reasonable market price expectations for the coal produced from the Oaktown Mining Complex.

The NPV estimate was made for purposes of confirming the economic viability of the reported coal reserves and not for purposes of valuing Sunrise or its assets. Internal rate-of-return (IRR) and project payback were not calculated, as there was no initial investment considered in the financial model.

1.8 Regulation and Liabilities

Multiple permits are required by federal and state law for underground mining, coal preparation and related facilities, and other incidental activities. Sunrise reports that all necessary permits to support current operations are in place or pending approval. New permits or permit revisions may be necessary from time to time to facilitate future operations. Given sufficient time and planning, Sunrise should be able to secure new permits, as required, to maintain its planned operations within the context of the current regulations.

Permits generally require that Sunrise post a performance bond in an amount established by the regulator program to: (1) provide assurance that any disturbance or liability created during mining operation is properly mitigated, and (2) assure that all regulation requirements of the permit are fully satisfied. Sunrise reports holding surety bonds to cover its current obligations relating to mining and reclamation, road repair, etc. Those obligations currently equate to $5.8 million.

1.9 Conclusions

It is BOYD's overall conclusion that Sunrise's estimates of coal reserves, as reported herein: (1) were prepared in conformance with accepted industry standards and practices, and (2) are reasonably and appropriately supported by technical evaluations, which consider all relevant modifying factors. We do not believe there is other relevant data or information material to the Oaktown Mining Complex that would render this technical report summary misleading. Our conclusions represent only informed professional judgment.

Given the operating history and status of evolution, residual uncertainty for this project is considered minor under the current and foreseeable operating environment. A general assessment of risk is presented in the relevant sections of this report.

The ability of Sunrise, or any mine operator, to recover all of the reported coal reserves is dependent on numerous factors that are beyond the control of, and cannot be anticipated by, BOYD. These factors include mining and geologic conditions, the capabilities of management and employees, the securing of required approvals and permits in a timely manner, future coal prices, etc. Unforeseen changes in regulations could also impact performance. Opinions presented in this report apply to the site conditions and features as they existed at the time of BOYD's investigations and those reasonably foreseeable.

2.0 INTRODUCTION

2.1 Registrant and Purpose

This technical report summary was prepared for Hallador Energy (Hallador) in support of their disclosure of their subsidiary, Sunrise's, coal resources and coal reserves for the Oaktown Mining Complex.

Hallador is a US-based energy solutions company headquartered in Terre Haute, Indiana, and is listed on the National Association of Securities Dealers Automated Quotations (NASDAQ:HNRG) stock exchange. A large portion of Hallador's business focuses upon coal mining through their subsidiary Sunrise. Sunrise is actively engaged in the production and export of thermal coal from mines located in the ILB. The company also owns and operates the Princeton Rail Loop, which is located near Princeton, Indiana on the NS Railroad. Additional information regarding Hallador (and Sunrise) can be found on their website at www.halladorenergy.com.

2.2 Terms of Reference

Sunrise retained BOYD to complete an independent technical assessment of mineral resource and mineral reserve estimates and supporting information for the Oaktown Mining Complex. Our objective was to obtain reasonable assurance that the coal resource and coal reserve statements for Oaktown Mining Complex are free from material misstatement.

The results of our third-party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in Subpart 1300 and Item 601(b)(96) of the SEC's Regulation S-K. The purpose of this report is: (1) to summarize available information for the subject mining properties, (2) to provide the conclusions of our technical assessment, (3) to provide a statement of coal resources and/or coal reserves for the Oaktown Mining Complex, and (4) provide our conclusion of the economic viability of the Oaktown Mining Complex's coal reserves. This is the first technical report summary filed by Sunrise for the Oaktown Mining Complex.

BOYD's findings are based on our detailed examination of the supporting geologic and other scientific, technical, and economic information provided by Sunrise, as well as our assessment of the methodology and practices applied by Sunrise in formulating the estimates of coal resources and coal reserves disclosed in this report. We did not independently estimate coal resources or coal reserves from first principles.

We used standard engineering and geoscience methods, or a combination of methods, that we considered to be appropriate and necessary to establish the conclusions set forth herein. As in all aspects of mining property evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The ability of Sunrise, or any mine operator, to recover all of the estimated coal reserves presented in this report is dependent on numerous factors that are beyond the control of, and cannot be anticipated by, BOYD. These factors include mining and geologic conditions, the capabilities of management and employees, the securing of required approvals and permits in a timely manner, future coal prices, etc. Unforeseen changes in regulations could also impact performance. Opinions presented in this report apply to the site conditions and features as they existed at the time of BOYD's investigations and those reasonably foreseeable.

This report is intended for use by Sunrise subject to the terms and conditions of its professional services agreement with BOYD. The agreement permits Sunrise to file this report as a technical report summary with the SEC pursuant to Subpart 1300 and Item 601(b)(96) of Regulation S-K. Except for the purposes legislated under US securities law, any other uses of our reliance on this report by any third party is at that party's sole risk. The responsibility for this disclosure remains with Sunrise. The user of this document should ensure that this is the most recent disclosure of coal resources and coal reserves for the subject property as it is no longer valid if more recent estimates have been issued.

2.3 Expert Qualifications

BOYD is an independent consulting firm specializing in mining-related engineering and financial consulting services. Since 1943, BOYD has completed over 4,000 projects in the United States and more than 60 other countries. Our full-time staff comprises mining experts in: civil, environmental, geotechnical, and mining engineering; geology; mineral economics; and market analysis. Our extensive experience in coal resources/reserve estimation and our knowledge of the subject coal properties, provides BOYD an informed basis on which to opine on the reasonableness of the estimates provided by Sunrise. An overview of BOYD can be found on our website at www.jtboyd.com.

The individuals primarily responsible for this independent technical assessment and the preparation of this report are by virtue of their education, experience, and professional association considered qualified persons as defined in Subpart 1300 of Regulation S-K.

Neither BOYD nor its staff employed in the preparation of this report have any beneficial interest in Sunrise, and are not insiders, associates, or affiliates of Sunrise. The results of our audit were not dependent upon any prior agreements concerning the conclusions to be reached, nor were there any undisclosed understandings concerning any future business dealings between Sunrise and BOYD. This report was prepared in return for fees based upon agreed commercial rates, and the payment for our services was not contingent upon our opinions regarding the project or approval of our work by Sunrise and its representatives.

2.4 Principal Sources of Information

Information used in this assignment was obtained from: (1) Sunrise files, (2) discussions with Sunrise personnel, (3) records on file with regulatory agencies, (4) public sources, and (5) nonconfidential BOYD files.

The following information was provided by Sunrise:

- Year-end reserve statements and reports for 2021.
- Exploration records (e.g., drilling logs, lab sheets).
- Geologic databases of lithology and coal quality.
- Computerized geologic models.
- Mapping data, with:
  - Mineral tenure boundaries.
  - Permit boundaries.
  - Limits of previous mining.
- LOM plans and supporting documentation.
- Financial forecasting models.
- Historical information, including:
  - Production reports and reconciliation statements.
  - Financial statements.
  - Product sales and pricing.

Information from sources external to BOYD and/or Sunrise are referenced accordingly.

The data and work papers used in the preparation of this report are on file in our offices.

2.4.1 Site Visits

A personal inspection of the Oaktown Fuels No. 1 and No. 2 Mines was made by two of BOYD's senior mining engineers—qualified persons and co-authors of this report—on December 2, 2021. The site visit included: (1) observation of both mine's active underground workings, belt lines, outby areas, and portal (mine access) locations; (2) a tour of the mine site's surface infrastructure; and (3) a tour of the Oaktown Complex CPP, truck and rail loadout, and refuse disposal facility. BOYD's representatives were accompanied by senior Sunrise management personnel who openly and cooperatively answered questions regarding, but not limited to: site geology, mining conditions and operations, equipment usage, labor relations, operating and capital costs, current coal washing operations, and coal marketing.

2.4.2 Reliance on Information Provided by the Registrant

In the preparation of this report we have relied, without independent verification, upon information furnished by Sunrise with respect to: property interests; exploration results; current and historical production from such properties; current and historical costs of operation and production; and agreements relating to current and future operations and sale of production.

BOYD exercised due care in reviewing the information provided by Sunrise within the scope of our expertise and experience (which is in technical and financial mining issues) and concluded the data are valid and appropriate considering the status of the subject properties and the purpose for which this report was prepared. BOYD is not qualified to provide findings of a legal or accounting nature. We have no reason to believe that any material facts have been withheld, or that further analysis may reveal additional material information. However, the accuracy of the results and conclusions of this report are reliant on the accuracy of the information provided by Sunrise.

While we are not responsible for any material omissions in the information provided for use in this report, we do not disclaim responsibility for the disclosure of information contained herein which is within the realm of our expertise.

2.5 Effective Date

The coal resources and coal reserves presented in this technical report summary are effective as of December 31, 2021. The report effective date is December 31, 2021.

2.6 Units of Measure

The US customary measurement system has been used throughout this report. Tons are short tons of 2,000 pounds-mass. Unless otherwise stated, all currency is expressed in constant 2022 US Dollars ($).

3.0 PROPERTY OVERVIEW

3.1 Description and Location

The Oaktown Mining Complex is a coal mining and processing operation located in Knox and Sullivan counties, Indiana, and Crawford and Lawrence counties, Illinois. Comprising almost 118 square miles within the ILB coal-producing region of the midwestern United States, the Oaktown Mining Complex is one of the largest underground R&P coal mining complexes in North America. The Oaktown Mining Complex operations currently consist of two active underground mines— Oaktown Fuels No. 1 Mine and Oaktown Fuels No. 2 Mine— and related infrastructure.

While each of the two mines operate under a unique Mine Safety and Health Administration (MSHA) mine identification number and has a separate direct management team, the Oaktown Mining Complex is commercially operated as a single entity. All mine output is delivered by belt conveyors to a central coal processing facility, the Oaktown Complex CPP, that is rated at 1,600 raw TPH and reports to MSHA under its own identification number. The ROM coal is segregated by mine, and refined analysis and processing systems are utilized to meet customer specifications. Plant reject-material reports to the coarse and fine refuse disposal facilities or is placed into abandoned mine void areas through slurry (fine refuse) injection. Saleable output is shipped to a diverse customer base via truck or rail facilitated by the rail load-out on a dedicated rail spur serviced by CSX and INRD.

The Oaktown Mining Complex is located approximately 44 miles south of Terre Haute, Indiana near the town of Oaktown, Indiana. The city of Vincennes, Indiana lies about 14 miles to the southwest. The project area is essentially bisected by U.S. Route 41.

Geographically, the Oaktown Complex CPP is located at approximately 38°51’24.7” N latitude and 87°25’30.9” W longitude. Figures 1.1 (page 1-2) and 3.1, following this page, illustrate the location and general layout of the Oaktown Mining Complex.

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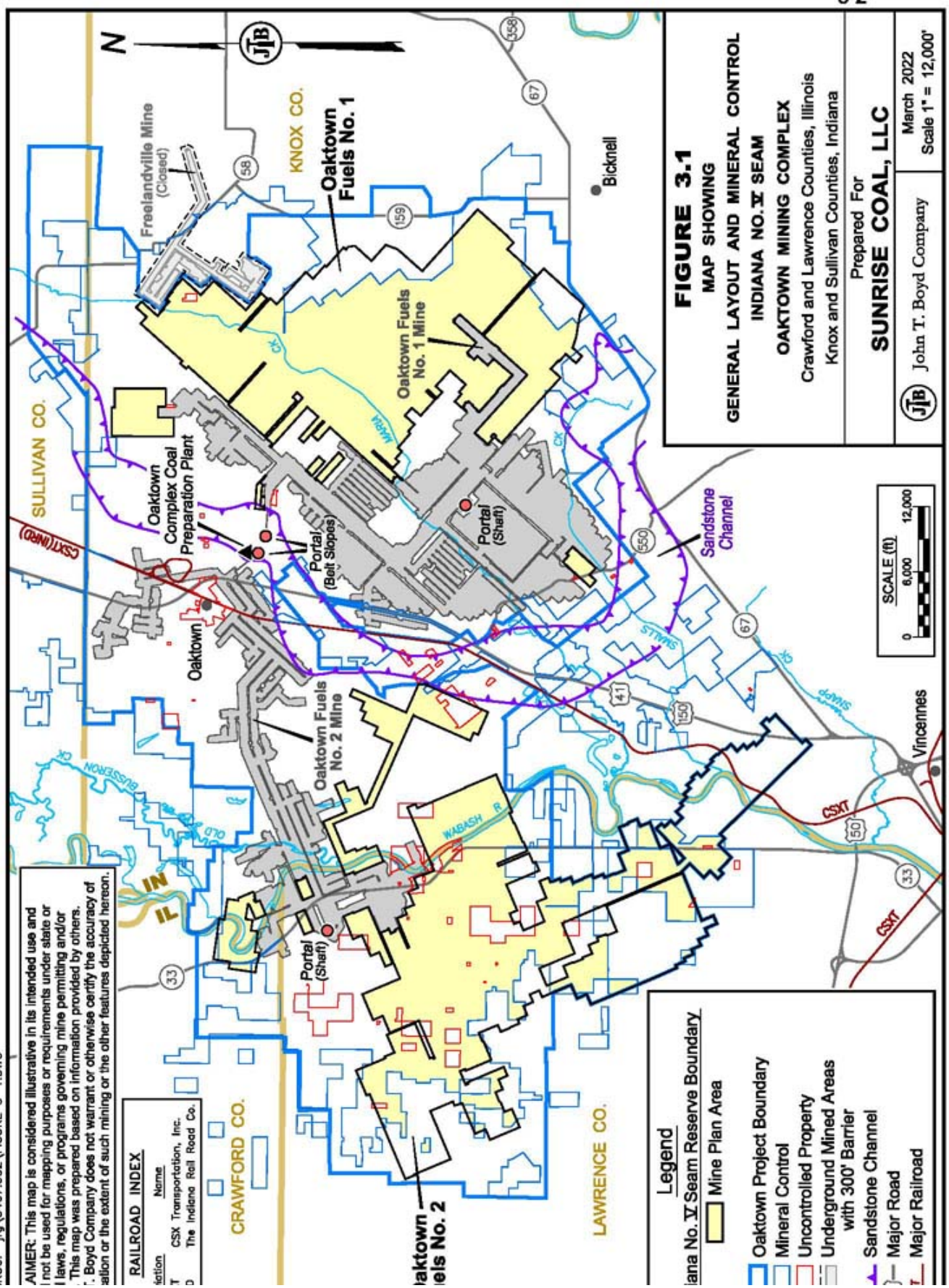
Figure 3.1



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3.2 History

Vectren Fuels was the original developer of the property. Construction of the Oaktown No. 1 Mine slope, surface mine infrastructure and CPP began in 2008. Following development of the slope, commercial coal production began in 2009. Processing of the Oaktown No. 1 Mine coals was facilitated by the then 800 raw feed TPH capacity CPP. Development of Oaktown No. 2 Mine followed shortly after, with commercial coal production beginning in 2013. The commercial production status of Oaktown No. 2 Mine coincided with the expansion of the CPP's 800 TPH capacity to its present 1,600 TPH capacity.

Sunrise's involvement with the Oaktown Mining Complex dates to 2014 with the acquisition of Oaktown Fuels No. 1 and No. 2 Mines from Vectren Fuels. Since the acquisition, Sunrise has steadily increased annual production from the Oaktown Mining Complex—now averaging between 6 to 7 million product tons annually. The mine workings have substantially grown since 2014, and both mines have installed new shafts (mine accesses) for employee ingress/egress from the active production faces. The new Oaktown No. 1 Mine portal location is approximately 4.5 miles southeast of the town of Oaktown, Indiana while the new Oaktown No. 2 Mine portal location is approximately 1.5 miles northwest of the village of Russellville, Illinois.

There are no significant Indiana V Seam mining activities known to have occurred within the Oaktown Mining Complex bounds preceding Vectren Fuel's and Sunrise's involvement.

3.3 Property Control

Within the Oaktown Mining Complex area and immediate vicinity, Sunrise controls approximately 75,000 acres of mineral rights. This control exists as a complex collection of leases that apply to more than 2,000 tracts. Each of which range from less than an acre to several hundred acres in size. Ownership of the surface rights and the mineral rights is often severed for the properties and the estates are often fractional, in which mineral rights are split between several owners. Sunrise and its predecessors have acquired the necessary rights to support development and operations through purchase or lease agreements with predominantly private owners or entities.

BOYD has not independently verified ownership of the Oaktown Mining Complex area and the underlying property agreements. Ownership data provided to BOYD, including maps and summaries of lease agreements, have been accepted as being true and accurate for the purpose of this report.

3.3.1 Coal Ownership

Sunrise maintains the right to mine and remove approximately 77% of the Indiana V Seam within the Oaktown Mining Complex area, with the balance (approximately 18,400 acres) currently reported as adverse.

Sunrise currently controls approximately 78% of the coal within projected mine plan boundaries through lease agreements. Reportedly, lease terms generally extend until all the coal is removed from the subject tract. Where applicable, royalty rates are typically based upon a percentage of the gross sales price of the coal. No material amounts of mineral within the Oaktown Mining Complex mine plan boundaries is owned in fee.

Adverse (uncontrolled) tracts within the project limits are common; however, it is generally reasonable to assume that such tracts can be acquired or leased in the ordinary course of business as has been demonstrated historically by Sunrise. It is BOYD's opinion that adverse coal control does not pose a material risk to the estimate of coal reserves reported herein.

3.3.2 Surface Ownership

As part of the Oaktown Mining Complex, Sunrise controls surface rights through fee simple ownership for over 1,700 permitted acres. Upon those acres resides the surface facilities for mine accesses, processing, storing, shipping, and refuse disposal facilities (i.e., refuse impoundment site and fine refuse injection sites).

Sunrise reports it controls adequate surface rights to sustain current mining operations in the near term. Additional surface property will likely be required during the life of the mine for the placement of additional infrastructure. It is generally reasonable to assume the required property can be acquired or leased in the ordinary course of business; as such, we do not believe there is any undue risk associated with surface ownership to the estimated reserves reported herein.

3.4 Adjacent Properties

As illustrated in Figures 1.1 and 3.1, there are no other operating mines or mines/properties controlled by Sunrise adjacent to the Oaktown Mining Complex. As shown, some existence of Indiana V seam mining has taken place near the Oaktown Mining Complex to the northeast. Sunrise's mine plans include sufficient barrier zones to mitigate any risk associated with prior mining activities of the adjacent properties.

3.5 Regulation and Liabilities

Mining and related activities on the Oaktown Mining Complex properties is regulated by both federal and state laws. The relevant federal laws include:

- Clean Air Act of 1970/1977.
- Clean Air Act Amendments of 1990.
- Clean Water Act of 1977.
- Surface Mining Control and Reclamation Act of 1977.
- Resource Conservation and Recovery Act of 1976.

In Indiana and Illinois, responsibility for enforcing these acts, with the aid of numerous state laws and legislative rules, lies with Illinois's Environmental Protection Agency and Indiana's Department of Natural Resources.

As mandated by these laws and regulations, numerous permits are required for underground mining, coal preparation and related facilities, and other incidental activities. Sunrise reports that necessary permits are in place or applied for to support current operations. New permits or permit revisions may be necessary from time to time to facilitate future operations. Given sufficient time and planning, Sunrise should be able to secure new permits, as required, to maintain its planned operations within the context of the current regulations.

Permits generally require that the permittee post a performance bond in an amount established by the regulator program to: (1) provide assurance that any disturbance or liability created during mining operation is properly mitigated, and (2) assure that all regulations requirements of the permit are fully satisfied. Sunrise reports holding surety bonds to cover its current obligations relating to mining and reclamation, road repair, etc. Those obligations currently equate $5.8 million.

Regular inspection of the mines and related facilities are conducted by MSHA for health and safety compliance. On finding any violation of a health or safety standard, an inspector will issue a citation that specifies the standard violated and evaluates the gravity of the violation by several factors, including likelihood of injury. Any infraction that is reasonably likely to result in a serious injury or illness or is caused by the operator's unwarrantable failure to comply with regulatory requirements will carry additional fines and could result in temporary closure. Typically, the civil penalties for regular assessments are not considered material.

BOYD is not aware of any prohibition of mining and processing activities for the Oaktown Mining Complex. However, the reported coal reserves may be materially impacted by: Sunrise's failure to comply with permit conditions and rules; delays in obtaining required government or other regulatory approvals or permits; Sunrise's inability to obtain such required approvals or permits; or changes in governmental regulations.

3.6 Accessibility, Local Resources, and Infrastructure

The Oaktown Mining Complex lies within a rural but well-developed region of southwestern Indiana and southeastern Illinois, with an extensive history related not only to coal mining, processing, and transportation, but also many other industries and services. A reported 1.4 million people live within 75 miles of the Oaktown Mining Complex, according to the U.S. Census of 2020.

General access to the Oaktown Mining Complex is via a well-developed network of primary and secondary roads serviced by state and local governments. These roads offer direct access to the mine and processing facilities and are generally open year-round.

Coal produced at the Oaktown Mining Complex is transported primarily by rail, truck, or a combination of both. A rail load-out facility and dedicated rail spur loop facilitate transportation of the coal on the INRD and CSX railroads. Additionally, Oaktown Mining Complex can facilitate the loading of trucks for direct transport to select customers, or to Sunrise's transload facility in Princeton, Indiana serviced by the NS Railroad.

Several regional airports are located near the Oaktown Mining Complex and the Indianapolis International Airport is located approximately 100 miles northeast of the complex.

Sources of electrical power, water, supplies, and materials are readily available. Electrical power is provided to the mines and facilities by regional utility companies. Water is supplied by public water services, surface impoundments, or water wells.

3.7 Physiography

The Oaktown Mining Complex lies within the Southern Hills and Lowland areas of the Southwest Indiana region. This region is characterized by relatively flat topography possessing gentle gradients associated with drainages. Surface elevations within the Oaktown Mining Complex area range from approximately 410 ft to 590 ft above mean sea-level. The region possesses a network of overlying tributaries and waterways flowing to the Wabash River; all of which overlay the complex area.

Land cover within the area consists predominantly of mixed crop/pastureland and forest dotted with medium- to low-density (rural) residential areas.

3.8 Climate

Climate in and around the Oaktown Mining Complex is typical of southwestern Indiana, with four distinct seasons: cold winters; hot and humid summers; and mild falls and springs. The average daily high temperatures are above freezing 12 months of the year while the low temperatures drop below freezing 3 months of the year. Table 3.1 provides monthly average climate data collected from 2020 through 2021 in Vincennes, Indiana.

Table 3.1: Monthly Average Climate Data, Vincennes, Indiana

Average	Unit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High Temp	°F	38	43	54	66	76	84	88	87	81	69	56	42
Low Temp	°F	21	24	33	44	54	63	66	64	56	44	35	25

Source: US Climate Normals.

The area experiences on average 46 in. of rain and 9 in. of snowfall per year. Adverse weather conditions seldom limit the Oaktown Mining Complex coal mining, processing, and loading operations; however, extreme weather conditions may temporarily impact operations.

4.0 GEOLOGY

4.1 Regional Geology

The Oaktown Mining Complex is located within the eastern portion of the ILB region, a sedimentary basin which coal-bearing areas cover approximately 50,000 square miles across the majority of Illinois, southwestern Indiana and portions of western Kentucky. The coal bearing members of the ILB consist of Pennsylvanian rocks, formed approximately 290 – 330 million years ago. The Indiana VI (Herrin) and Indiana V (Springfield) seams are accredited with the vast majority of the economically mineable coals within the ILB.

The ILB has informally been subdivided into eight mining regions—Northern Illinois, Western Illinois, West-central Illinois, East-central Illinois, Southwestern Illinois, Southeastern Illinois, Southwestern Indiana, and Western Kentucky. The majority of current coal mining from the ILB occurs within the West-central Illinois, Southeastern Illinois, Southwestern Illinois, Southwestern Indiana, and Western Kentucky regions. The Oaktown Mining Complex is located within the Southwestern Indiana region of the ILB.

There are three predominant structural features within the ILB which include the DuQuoin monocline, La Salle anticlinal belt, and the Cottage Grove-Rough Creek fault system. The features surround the Fairfield Basin area which contain the deepest extents of the ILB. The DuQuoin monocline on the west, the La Salle anticlinal belt on the north, and the Cottage Grove-Rough Creek fault system on the south, all flank the Fairfield Basin. In general, the Illinois and Indiana portions of the ILB dip gently towards the interior, Fairfield Basin. The Southwestern Indiana mining region, in which the Oaktown Mining Complex is located, experiences localized rolling of the coal seams but predominately dips in a westerly direction.

The Carbondale Formation is the primary coal-bearing formation containing the majority of the ILB economically mineable bituminous coals. The Indiana VI (Herrin) and Indiana V (Springfield) seams that are heavily exploited within the ILB, are typically between 2 ft and 6 ft in thickness. Coal in the region is classified as high-volatile bituminous with rank increasing to the south. Sulfur content is generally related to the overlying strata of the coals within the ILB. Generally, coals possess sulfur contents ranging from 3% to 5% and heating values above 11,000 Btu/lb.

4.2 Local Stratigraphy

Pennsylvanian sedimentary strata comprise the uppermost stratigraphic units of bedrock in and around the Oaktown Mining Complex. These units primarily include bedrock of, in descending stratigraphic order, the McLeansboro, Carbondale and Racoon Creek Group.

The strata of the Pennsylvanian system are predominantly clastic and contain subordinate amounts of coal and limestone. The Indiana V (Springfield) coal seam resides within the Carbondale Group, specifically the Petersburg formation. The stratigraphic relationship between these groups is presented in Figure 4.1 as follows.

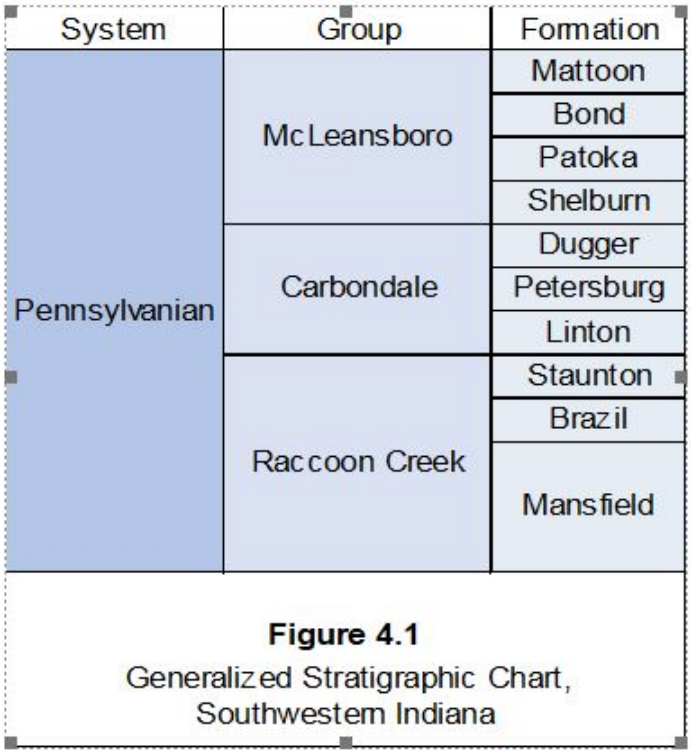


Figure 4.1
Generalized Stratigraphic Chart,
Southwestern Indiana

4.2.1 McLeansboro Group

The McLeansboro Group ranges in thickness of approximately 150 to 750 ft; beginning with the Mattoon Formation. The uppermost Mattoon Formation is predominately formed of sandstone and/or conglomerate type rocks. The remaining Bond, Patoka, and Shelburn formations, in descending stratigraphic order, are characterized by sequences of shale, mudstone, and siltstone with interspersed limestones. The predominant limestones of presence are the Livingston, Carthage, Vigo and West Franklin. There are no bituminous coal beds present possessing economic value.

4.2.2 Carbondale Group

The Carbondale Group extends from the Indiana VII (Danville) coal seam to the base of the Indiana III (Seelyville) coal seam. The unit is divided into the Dugger, Petersburg, and Linton formations. The Carbondale Group is a sedimentary sequence of non-marine rocks (sandstone, siltstone, mudstone, shale, limestone, and coal) ranging in thickness from approximately 300 ft to 450 ft. Regionally, the Carbondale Group contains several commercial coal beds, including the Indiana VII (Danville), Indiana VI (Herrin), Indiana V (Springfield) and others; however, within the vicinity of the Oaktown Mining Complex, only the Indiana V seam is of economic interest. The Indiana V coal seam possesses moderate continuity (instances of sandstone paleochannel erosion) and ideal mining thickness (4 ft to 8 ft).

4.2.3 Raccoon Creek Group

The Raccoon Group includes all strata below the base of the Indiana III (Seelyville) coal bed. It is made up of Staunton, Brazil, and Mansfield formations. The Raccoon Group reaches a maximum thickness of about 1,000 ft in southwestern Indiana. Strata of the group are very similar to those of the overlying Carbondale Group, except that the Raccoon Creek Group contains coal beds of little or no commercial value.

4.3 Coal Seam Geology

The Indiana V Seam is the only coal seam of economic interest within the Oaktown Mining Complex. The Indiana V Seam is fairly uniform in depositional nature (typically 4 ft to 8 ft thickness) and continuity throughout much of the project's surrounding area.

4.3.1 Lithology

The Indiana V Seam coal bed is relatively consistent containing a singular interval of coal within minimal in-seam partings. Mining methods employed at the Oaktown Mining Complex generally extract the entirety of the coal seam with minimal out-of-seam (OSD) dilution.

The coal thickness across the Oaktown Mining Complex area is generally between the 4.0 ft to 8.0 ft range, averaging 4.8 ft over the extents of mine plan areas. Isolated pockets of both thinner and thicker coal do exist, and extreme but generally isolated occurrences may range from less than a foot to above 12 ft thick. Figure 4.2, following this page, provides a map of the Indiana V Seam thickness. The locations of thinner coal occurrences are generally well-defined by the extensive exploration performed in and around the study area, and mine plans have been developed to avoid these low coal occurrences.

Figure 4.2

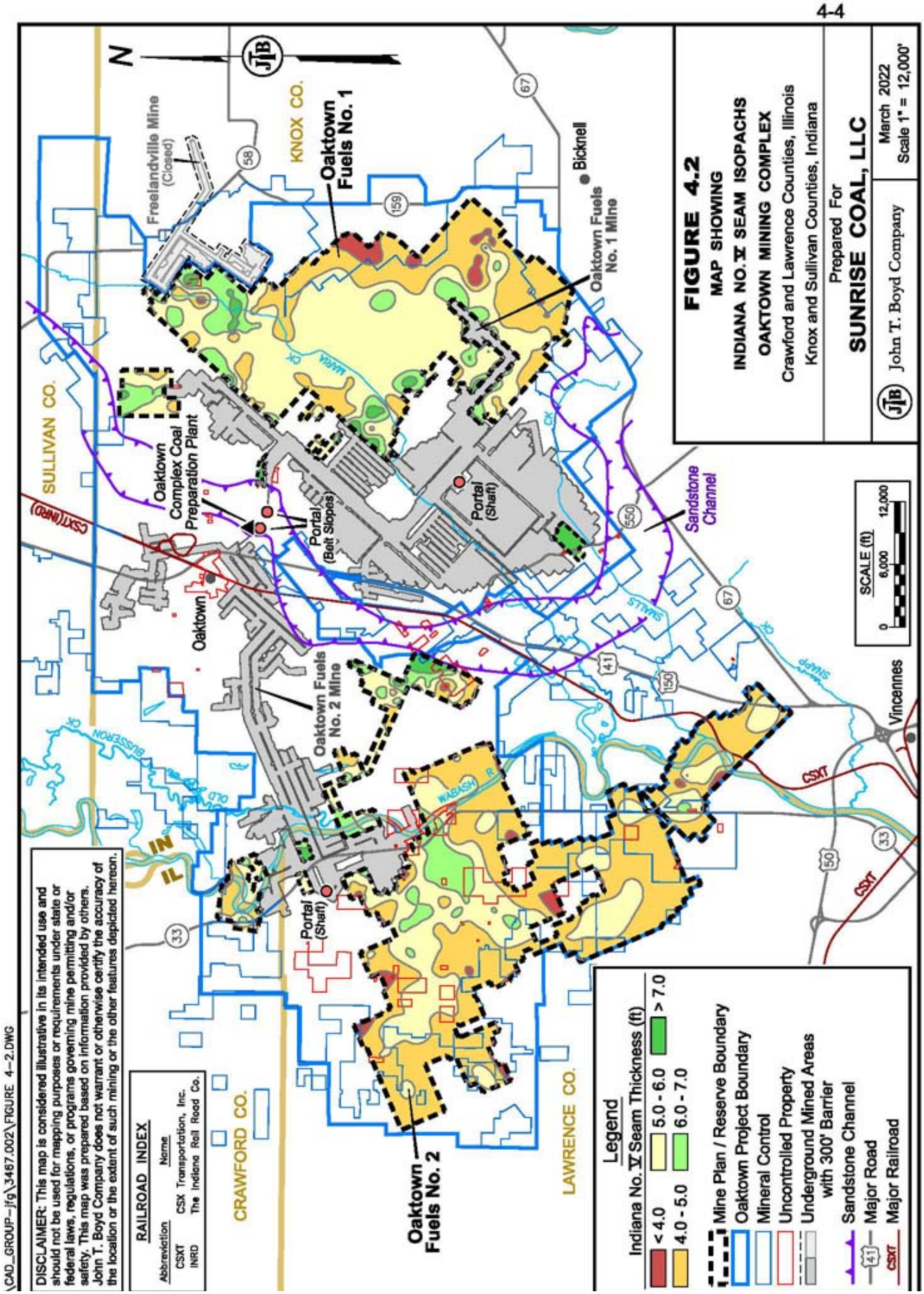


FIGURE 4.2
MAP SHOWING
INDIANA NO. V SEAM ISOPACHS
OAKTOWN MINING COMPLEX
Crawford and Lawrence Counties, Illinois
Knox and Sullivan Counties, Indiana
Prepared For
SUNRISE COAL, LLC
John T. Boyd Company
March 2022
Scale 1" = 12,000'
Legend
Indiana No. V Seam Thickness (ft)
< 4.0
4.0 - 5.0
5.0 - 6.0
6.0 - 7.0
> 7.0
Mine Plan / Reserve Boundary
Oaktown Project Boundary
Mineral Control
Uncontrolled Property
Underground Mined Areas with 300' Barrier
Sandstone Channel
Major Road
Major Railroad
SCALE (ft)
0
6,000
12,000
RAILROAD INDEX
Abbreviation
Name
CSXT
CSX Transportation, Inc.
INRD
The Indiana Rail Road Co.
DISCLAIMER: This map is considered illustrative in its intended use and should not be used for mapping purposes or requirements under state or federal laws, regulations, or programs governing mine permitting and/or safety. This map was prepared based on information provided by others. John T. Boyd Company does not warrant or otherwise certify the accuracy of the location or the extent of such mining or the other features depicted hereon.
Oaktown Fuels No. 1
Oaktown Fuels No. 2
Oaktown Fuels No. 1 Mine
Oaktown Fuels No. 2 Mine
Oaktown Complex Coal Preparation Plant
Oaktown
Portal (Shaft)
Portal (Belt Slopes)
Portal (Shaft)
Portal (Shaft)
Freelandville Mine (Closed)
Bicknell
Vincennes
Sandstone Channel
KNOX CO.
SULLIVAN CO.
CRAWFORD CO.
LAWRENCE CO.
IN
IL
WABASH R.
MARIA CK.
BUSSERON CK.
SNAKE CK.
SMALLS CK.
CSXT (INRD)
CSXT
N
JTB

The immediate roof overlying the Indiana V Seam coal bed generally consists of interbedded shales and sandy shales. Occasional instances of sandstone roof can occur within the project area, where paleochannel sandstone fill has scoured and replaced part or all the normal roof strata. The most prominent existence of paleochannel sandstone fill resides within the sandstone channel that divides the Oaktown Fuels No. 1 and No. 2 Mines mineable reserves. Other, less prominent, localized paleochannelization eroding of the typical roof strata and possibly portions of the Indiana V Seam are likely to be found within the Oaktown Mining Complex mineable reserves. Areas of the deposit with sandstone channels in close proximity to the Indiana V Seam commonly exhibit discontinuities and rolls in the coal bed. Poor roof conditions are also common along margins of the channels, where the roof type transitions between the sandstone roof and normal shale roof. Sunrise has implemented various programs to identify and mitigate, where possible, problems associated with poor roof conditions.

The immediate floor beneath the Indiana V Seam coal bed consists of an interval of underclay. The underclay provides a generally competent floor, however poor floor conditions can develop when the underclay is exposed to water.

4.3.2 Structure

The Indiana V Seam coal bed is located at depths ranging from approximately 150 ft to over 600 ft below ground surface, averaging 350 ft within the Oaktown Mining Complex area. Seam structure shows a general seam dip of less than 2 degrees in a westerly direction. There are not any major structural faulting or tectonic features known to occur in the deposit. Small-displacement faults and compaction-related faults may be present, but are not expected to materially affect mine plans.

The structural setting for the deposit is generally considered to be simple in terms of geological complexity. Some areas exhibit evidence of localized channelization; as such, isolated areas of the deposit may be considered moderate in geological complexity.
Having been widely studied and extensively mined, the Indiana V Seam is well-known and widely-accepted to be a uniform deposit.

4.3.3 Coal Quality

Overall, the Indiana V Seam coal bed is a high-sulfur moderate ash coal that is used for steam purposes.

5.0 EXPLORATION DATA

5.1 Background

The Indiana V Seam has been the subject of extensive exploration drilling and sampling by Sunrise and other parties, over a timespan of decades. Records from exploration drilling comprise the primary data used in the evaluation of coal resources on the property. A database compiling the results of 1,895 drill holes—covering Oaktown Mining Complex and surrounding area Indiana V Seam —along with electronic copies of original drilling and sampling logs for a representative sample (approximately 42%), was provided for our review.

Additionally, discussions were held between BOYD and Sunrise concerning their standard exploration and sampling methodologies. Topics covered standard procedures ranging from site safety and mapping, to how to select proper drilling equipment, recording accurate and detailed geological logs, performing coal sampling, supervising geophysical logging, and plugging drill holes once work was complete. Sunrise's provided explanation of exploration standards highlight their focus on obtaining the highest accuracy of data possible from the various exploration campaigns they completed.

Due to archival storage of some physical records of drill holes and detailed information on the drilling and sampling methodologies utilized, some documents were not provided for our review. While this limits the ability to provide a completely transparent and detailed overview of the work completed in developing the Oaktown Mining Complex, Sunrise has also demonstrated that they have been very thorough in exploring and sampling and the complex has been able to consistently and economically mine coal from this deposit for more than a decade.

5.2 Procedures

5.2.1 Drilling

Drill holes on the subject property were completed using various drilling procedures based on specific goals and data needs at various stages of planning and developing the Oaktown Mining Complex. Some drill holes were rotary drilled for purposes of completing geophysical logging, while others were completed using continuous core drilling methods to provide more detailed geologic records and sampling opportunities.

Sunrise technical staff were able to summarize the standard types of equipment and procedures they generally utilized in exploration work completed on the property. This information, combined with information BOYD was able to gather from our review of drilling records are as follows:

- Frequently used drilling equipment that is utilized during exploration is typical of the ILB region. Typical drilling equipment that Sunrise uses for exploration, depending on the goal of a specific drilling and sampling program, may consist of one or both of:
  - Continuous NQ-sized (3.0 in. outside diameter) diamond core rigs.
  - Water rotary with 4.875 in. diameter barrels.
- Presently, core logging activities are completed in the field. Reportedly current practices for Sunrise are for cored intervals to be photographed, with special attention paid to the coal interval. Cored coal is initially photographed in its entirety.
- Select intervals of coal roof rock and floor rock are photographed and then boxed for archival purposes.
- Geophysical logging has been performed for some drill holes, while others may or may not have been completed/recorded. Sunrise has noted that geophysical logging is currently completed on all holes drilled.

Due to the large extent of historic exploration work, any recent drilling is generally for infilling areas with lower geologic assurance or for establishing confidence of sandstone channel locations. In such instances, nearby drill hole records are referenced prior to commencing any new drill holes, to show the anticipated depth to the coal horizons.

Geophysical logs obtained from newly drilled holes are correlated by Sunrise geologists by aligning known “marker beds”, and then checking coal seam depths, elevations, and thicknesses to ensure seam continuity. These data are formatted and then imported into Sunrise’s geologic modeling programs.

BOYD’s review of the methodologies and procedures indicate the data obtained and utilized by Sunrise for the Oaktown Mining Complex project area were carefully and professionally collected, prepared, and documented, conforming with general industry standards, and are appropriate for use of evaluating and estimating coal resources and reserves.

5.2.2 Coal Quality Sampling

The Oaktown Mining Complex coal quality testing was performed on a large number of coal samples obtained from the Indiana V seam, in and around the project area. The relatively dense core drilling coverage, combined with channel samples being taken regularly from underground development areas, provides a thorough understanding of the clean coal product that could be produced from the Oaktown Mining Complex.

All coal intercepts of Oaktown Mining Complex exploration were geologically logged, photographed, and sampled in the field by competent geologists. Sampling methodologies consist of first pushing the cored intervals of coal out of the core barrel, directly into a clean single-row wooden core box. Prior to removing coal core from the drilling barrel, the core box is lined with durable plastic sheeting, which helps retain moisture content and minimize coal core oxidation. Once the coal core is fully extruded from the core barrel, it is then inspected, photographed, and logged by the on-site geologist, and cardboard inserts are installed in the wooden core box to maintain coal core integrity.

Upon completing detailed recording (geologic logging and photographing) of the coal interval, coal cores are split into the desired intervals to be analyzed and bagged. An order sheet is placed inside the sample bag, which specifies drill hole information, split information, and testing to be completed on the bagged sample. Sample bags are then zip tied closed, labeled, and then double bagged to eliminate incidental core loss due to potential damage during transportation to the testing lab.

Sunrise maintains all control of coal core samples, up to the point that samples are handed over to the lab performing testing. Once logging and sampling is complete, the sampled coal core intervals are transported to the selected lab that will perform the required analyses. Typically, washability analysis is performed on the majority of drillhole samples with select drillholes being expanded to include full proximate or other analyses (i.e., ultimate, ash content, etc.). The lab manager signs off on the return analysis sheet, indicating that testing results are accurate and that the sample provided was sufficient for testing purposes.

Past programs utilized various accredited coal testing laboratories, again depending on what testing needed to be completed on the coal core at a given time. All analytical work was conducted to International Organization of Standardization (ISO) or American Society for Testing and Materials (ASTM) standards, and various available laboratory sample sheets were provided for review with drilling log data.

Available testing sheets were reviewed by BOYD during our drill hole data audit, and our review of the discussed field and sampling procedures noted above indicated that the general description and sampling work were conducted to appropriate standards. Based on the stated standards and laboratory used, BOYD considers the sample preparation and analytical procedures were adequate for the coal quality results for inclusion in geological modelling and coal resource estimation.

5.2.3 Coal Washability Testing

Coal washability tests (proximate analysis) were conducted at various specific gravities, generally ranging from 1.45 specific gravity float (SGF) through 1.55 SGF. Estimated coal reserves for the Oaktown Mining Complex are currently reported using 1.55 SGF testing results over the entire Oaktown Mining Complex project area. Proximate analysis test results were completed on 723 drill core samples, which were used in estimating quantity and quality of the remaining Oaktown Mining Complex coal reserves.

Although it was noted that Sunrise generally does not perform any randomized sample verification in order to conduct quality control testing of individual coal analyses, Sunrise will typically perform channel sampling and quality analyses throughout mine workings. The channel sample data are then utilized to update quality models.

5.2.4 Other Exploration Methods

There is no known ore reported via other methods of exploration (such as airborne or ground geophysical surveys) completed for the project area.

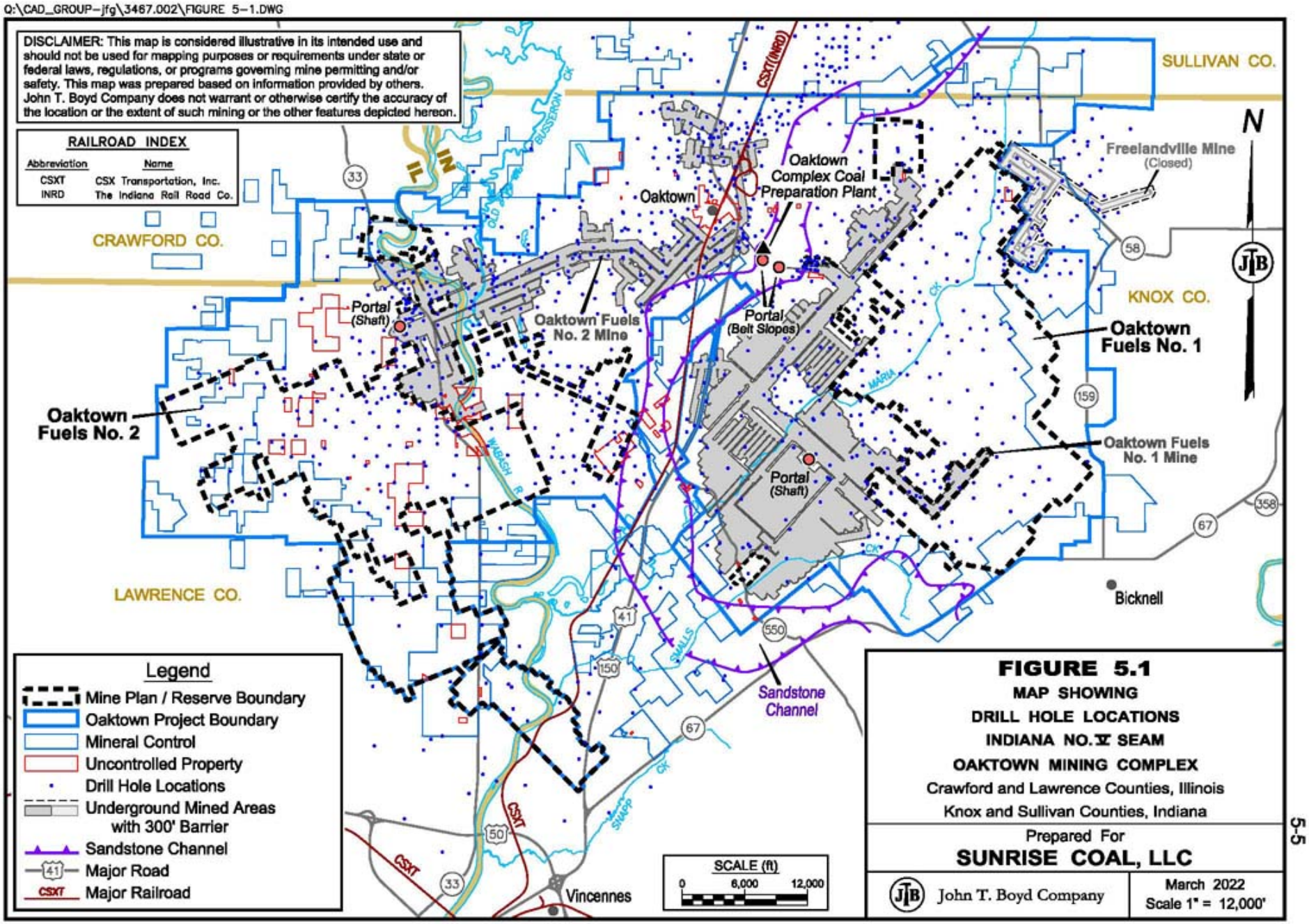
5.3 Results

A total of 1,922 drill holes and in-mine samples are in and around the Oaktown Mining Complex area. The distribution of these drill holes is shown on Figure 5.1. Lithologic and coal quality data from these holes only were used for geologic modeling and coal resource assessment for the property.

General descriptive statistics for the Indiana V Seam thickness are provided in Table 5.1 below.

Table 5.1: Indiana V Seam Thickness (feet) Statisitcs

	Oaktown Fuels No. 1 Mine	Oaktown Fuels No. 2 Mine
Mean	5.2	4.8
Minimum	0.5	2.1
Maximum	8.7	12.1
Standard Deviation	0.8	0.9


Q:\CAD_GROUP-jfg\3467.002\FIGURE 5-1.DWG
DISCLAIMER: This map is considered illustrative in its intended use and should not be used for mapping purposes or requirements under state or federal laws, regulations, or programs governing mine permitting and/or safety. This map was prepared based on information provided by others. John T. Boyd Company does not warrant or otherwise certify the accuracy of the location or the extent of such mining or the other features depicted hereon.
RAILROAD INDEX
Abbreviation Name
CSXT CSX Transportation, Inc.
INRD The Indiana Rail Road Co.
SULLIVAN CO.
CRAWFORD CO.
KNOX CO.
LAWRENCE CO.
CSXT(INRD)
Busseron Ck
IN
IL
Oaktown
Oaktown Complex Coal Preparation Plant
Freelandville Mine (Closed)
Portal (Shaft)
Oaktown Fuels No. 2 Mine
Portal (Belt Slopes)
Oaktown Fuels No. 1
Oaktown Fuels No. 2
Oaktown Fuels No. 1 Mine
Portal (Shaft)
Wabash R.
Maria Ck
Smalls Ck
Shapp Ck
Bicknell
Sandstone Channel
Vincennes
N
JTB
SCALE (ft)
0 6,000 12,000
Legend
Mine Plan / Reserve Boundary
Oaktown Project Boundary
Mineral Control
Uncontrolled Property
Drill Hole Locations
Underground Mined Areas with 300' Barrier
Sandstone Channel
Major Road
Major Railroad
FIGURE 5.1
MAP SHOWING
DRILL HOLE LOCATIONS
INDIANA NO. V SEAM
OAKTOWN MINING COMPLEX
Crawford and Lawrence Counties, Illinois
Knox and Sullivan Counties, Indiana
Prepared For
SUNRISE COAL, LLC
John T. Boyd Company
March 2022
Scale 1" = 12,000'

As shown, the thickness of the seam can range from less than a foot to over 12 ft across the Oaktown Mining Complex area. Average thickness of the Indiana V Seam for the project area is approximately 5.2 ft for the Oaktown Fuels No. 1 Mine area and 4.8 ft for the Oaktown Fuels No. 2 Mine area.

The results of the coal quality analyses from 723 samples are summarized in Table 5.2.

Table 5.2: Descriptive Statistics, Indiana V Seam Coal Quality

			Oaktown Fuels No. 1 Mine		Oaktown Fuels No. 2 Mine	
		Units	Raw	Clean	Raw	Clean
Float	Mean	%		88.7		87.9
	Minimum	%		59.1		51.6
	Maximum	%		98.3		97.9
	Standard Deviation			3.1		4.0
Ash	Mean	%	14.5	8.5	14.5	8.9
	Minimum	%	4.0	6.8	4.0	6.7
	Maximum	%	62.5	13.8	62.5	12.5
	Standard Deviation			0.8		0.6
Sulfur	Mean	%	4.9	3.5	4.9	3.1
	Minimum	%	0.6	2.3	0.6	1.0
	Maximum	%	14.0	5.0	14.0	5.6
	Standard Deviation			0.3		0.4
Heating Value	Mean	btu/lb	11,961	13,246	11,961	13,283
	Minimum	btu/lb	4,904	12,510	4,904	12,625
	Maximum	btu/lb	13,389	13,656	13,389	14,564
	Standard Deviation			105.6		120.0

Note: Raw and Clean coal qualities are provided on a dry basis.

Raw and clean (washed) coal quality data demonstrate the consistency of the Indiana V Seam as a high-sulfur, moderate ash coal.

5.4 Data Verification

For purposes of this report, BOYD did not verify historic drill hole data by conducting independent drilling in areas already explored. It is customary in preparing coal resource and reserve estimates to accept basic drilling and coal quality data as provided by the client subject to the reported results being judged representative and reasonable.

BOYD's efforts to judge the appropriateness and reasonability of the source exploration data included reviewing a representative sample of drilling logs and coal quality test results for holes located in unmined portions of the Oaktown Mining Complex area. These records were compared with their corresponding database records for transcription errors, noting the vast majority of the information being consistent. Lithologic and coal quality data points were compared via visual and statistical inspection with geologic mapping.

BOYD's review indicates that in general, Sunrise has performed extensive drilling and sampling work on the subject property, the work completed has been done so by competent personnel, and the amount of data available combined with wide-spread knowledge of the Indiana V Seam, is sufficient to confirm seam uniformity and continuity throughout the Oaktown Mining Complex deposit.

6.0 COAL RESOURCES AND RESERVES

6.1 Applicable Standards and Definitions

Unless noted, coal resource and coal reserve estimates disclosed herein are done so in accordance with the standards and definitions provided by S-K 1300. It should be noted that BOYD considers the terms “mineral” and “coal” to be generally interchangeable within the relevant sections of S-K 1300.

Estimates of coal resources and reserves are always subject to a degree of uncertainty. The level of confidence that can be applied to a particular estimate is a function of, among other things: the amount, quality, and completeness of exploration data; the geological complexity of the deposit; and economic, legal, social, and environmental factors associated with mining the resource/reserve. By assignment, BOYD used the definitions provided in S-K 1300 to describe the varying degree of certainty associated with the estimates reported herein.

The definition of mineral (coal) resource provided by S-K 1300 is:

> *Mineral resource is a concentration or occurrence of material of economic interest in or on the Earth's crust in such form, grade or quality, and quantity that there are reasonable prospects for economic extraction. A mineral resource is a reasonable estimate of mineralization, taking into account relevant factors such as cut-off grade, likely mining dimensions, location or continuity, that, with the assumed and justifiable technical and economic conditions, is likely to, in whole or in part, become economically extractable. It is not merely an inventory of all mineralization drilled or sampled.*

Estimates of coal resources are subdivided to reflect different levels of geological confidence into measured (highest geologic assurance), indicated, and inferred (lowest geologic assurance). See Glossary of Abbreviations and Definitions.

The definition of mineral (coal) reserve provided by S-K 1300 is:

> *Mineral reserve is an estimate of tonnage and grade or quality of indicated and measured mineral resources that, in the opinion of the qualified person, can be the basis of an economically viable project. More specifically, it is the economically mineable part of a measured or indicated mineral resource, which includes diluting materials and allowances for losses that may occur when the material is mined or extracted.*

Estimates of coal reserves are subdivided to reflect geologic confidence, and potential uncertainties in the modifying factors, into proven (highest assurance) and probable. See Glossary of Abbreviations and Definitions.

Figure 6.1 shows the relationship between coal resources and coal reserves.

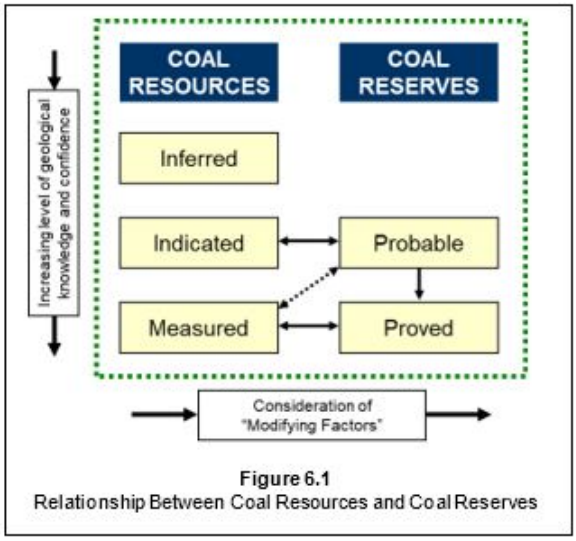


Figure 6.1
Relationship Between Coal Resources and Coal Reserves

In this report, the term “coal reserves” represents the tonnage and coal quality of product coal that will be available for sale after beneficiation of the ROM coal.

6.2 Coal Resources

6.2.1 Methodology

Based on provided information, Sunrise’s coal resources (and coal reserves) estimation and modeling techniques consists of:

1. Interpreted and correlated coal seam intercepts are compiled and validated. Seam thickness is aggregated and coal qualities are composited, based on assumed mining methods, for each data point.
2. Boundaries of the respective resource classification regions are developed using the data points.
3. ROM coal thickness and coal qualities for each data point are derived from the application of dilution parameters.

4. Clean product qualities for each data point are derived from coal washability analysis and plant efficiency factors.
5. The approved LOM design is subdivided into small mining blocks and sequenced using mine planning software.
6. In-place, ROM, and clean product estimates of coal volume and qualities for each mining block are estimated within the mine planning software by linear least squares interpolation of the data points developed in Steps 1 and 2.
7. The mining blocks (and associated volumetric data) are further subdivided by resource classification and property tract polygons.
8. Relevant and periodic summaries are prepared by Sunrise to support planning and coal resource/reserve reporting.

6.2.2 Criteria

Development of the coal resource estimate for the Oaktown Mining Complex assumes mining using standard underground R&P methods and equipment, which have been utilized successfully at the Oaktown Mining Complex for over a decade.

A minimum mineable seam thickness of 4 ft was used to limit the coal resources of the Indiana V seam. There were not any other cut-offs applied.

6.2.3 Classification

Geologic assuredness is established by the availability of both structural (thickness and elevation) and quality information for the Indiana V Seam. Classification is generally based on the concentration or spacing of exploration data, which can be used to demonstrate the geologic continuity of the deposit. Table 6.1 provides the general criteria employed in the classification of the coal resources.

Table 6.1: Coal Resource Classification Criteria

Classification (Geologic Confidence)	Data Point Spacing			
	Feet		Miles	
Measured	0 –	4,400	0 –	0.83
Indicated	4,400 –	8,800	0.83 –	1.67
Inferred	8,800 –	16,000	1.67 –	3.03

Extrapolation or projection of resources in any category beyond any data point does not exceed half the point spacing distance.

BOYD reviewed the classification criteria employed by Sunrise with regards to data density, data quality, geological continuity and/or complexity, and estimation quality. The Indiana V Seam is well-known and of low complexity. We believe these criteria appropriately reflect the interpreted geology and the estimation constraints of the deposit. Coal resources in the Oaktown Mining Complex area are well-defined throughout nearly all areas of the mine plan. Observed drill hole spacing averages approximately 1,995 ft and generally ranges between 444 ft and 8,000 ft.

BOYD is of the opinion that there is a high degree of certainty (assurance) associated with each of the resource classifications.

6.2.4 Coal Resource Estimate

There are no reportable coal resources excluding those converted to coal reserves for the Oaktown Mining Complex. Quantities of coal controlled by Sunrise within the defined boundaries of the Oaktown Mining Complex which are not reported as coal reserves, are not considered to have potential economic viability; as such, they are not reportable as coal resources.

6.3 Coal Reserves

6.3.1 Methodology

Estimates of coal reserves are derived contemporaneously with estimates of coal resources for the LOM plans through the application of appropriate modifying factors. Economic viability of the coal reserves is subsequently confirmed via a LOM financial forecast.

The coal reserve estimates have been prepared using generally accepted industry methodology to provide reasonable assurance that the coal reserves are economic and recoverable at the time of evaluation.

6.3.2 Parameters and Assumptions

The following parameters and assumptions were relied upon to determine the coal reserves:

- The underground operation is mined using R&P methods.
- The mine plans were developed to address anticipated geologic, geotechnical, and hydrogeologic conditions.
- Mining and processing parameters are revised periodically, to assure that the conversion of in-place coal to saleable product are: (1) in reasonable conformity with present and recent historical operational performance, and (2) reflective of expected mining and processing operations.

Mining recovery, which is dependent on numerous factors associated with R&P mining, historically ranges between 40 and 50% (averaging 44.4%) for the Indiana V Seam. Within the Oaktown Mining Complex's LOM plan areas, the estimated average mining recovery is 46.1% for the Oaktown Fuels No. 1 Mine and 41.6% for the Oaktown Fuels No. 2 Mine. Theses recoveries are considered reasonable.

Clean coal estimates are based on coal washability data. These estimates have been conservatively adjusted downward to reflect practical yields achieved by the preparation plant. Salient coal preparation factors used to estimate the coal reserves include:

- The preparation plant efficiency is 95%.
- Sulfur content within clean coal estimates is adjusted upward by approximately 15% above washability data (consistent with historical clean coal processing results).
- Product moisture was estimated at 13.0% (as-received basis).
- The average product yield for the coal reserves is 69.5%.

Figure 6.2 depicts the estimated product yield for the Indiana V Seam across the Oaktown Mining Complex deposit.

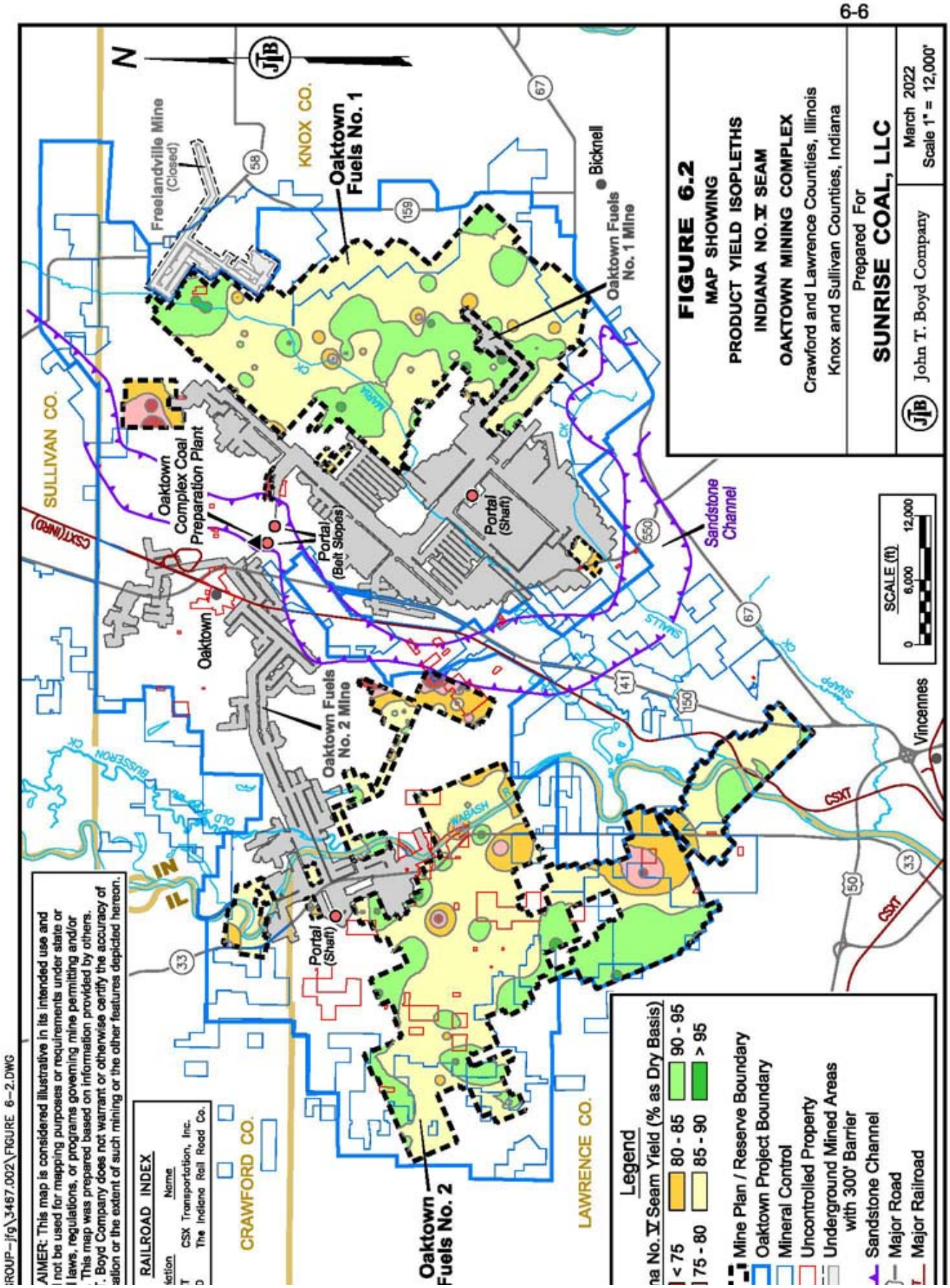
6.3.3 Classification

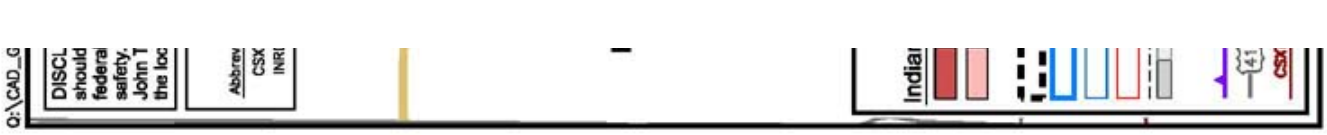
Proven and probable coal reserves are derived from measured and indicated coal resources, respectively, in accordance with S-K 1300. BOYD is satisfied that the stated coal reserve classification reflects the outcome of technical and economic studies. Figure 6.3 illustrates the reserve classification of the Indiana V Seam within the Oaktown Mining Complex.

6.3.4 Coal Reserve Estimate

Sunrise's estimated underground mineable coal reserves for the Oaktown Mining Complex total 71.4 million recoverable (clean) product tons remaining as of December 31, 2021. The coal reserves reported in Table 6.2 are based on the approved LOM plan which, in BOYD's opinion, is technically achievable and economically viable after the consideration of all material modifying factors.

Figure 6.2


6-6
FIGURE 6.2
MAP SHOWING
PRODUCT YIELD ISOPLETHS
INDIANA NO. V SEAM
OAKTOWN MINING COMPLEX
Crawford and Lawrence Counties, Illinois
Knox and Sullivan Counties, Indiana
Prepared For
SUNRISE COAL, LLC
John T. Boyd Company
March 2022
Scale 1" = 12,000'
N
KNOX CO.
SULLIVAN CO.
CRAWFORD CO.
LAWRENCE CO.
Oaktown Fuels No. 1
Oaktown Fuels No. 2
Freelandville Mine (Closed)
Oaktown Fuels No. 1 Mine
Oaktown Fuels No. 2 Mine
Oaktown Complex Coal Preparation Plant
Oaktown
Portal (Belt Slopes)
Portal (Shaft)
Portal (Shaft)
Bicknell
Vincennes
Sandstone Channel
CSXT (INPO)
CSXT
CSXT
SCALE (ft)
0
6,000
12,000
Legend
Na No. V Seam Yield (% as Dry Basis)
< 75
75 - 80
80 - 85
85 - 90
90 - 95
> 95
Mine Plan / Reserve Boundary
Oaktown Project Boundary
Mineral Control
Uncontrolled Property
Underground Mined Areas with 300' Barrier
Sandstone Channel
Major Road
Major Railroad
RAILROAD INDEX
Name
CSX Transportation, Inc.
The Indiana Rail Road Co.
AIMER: This map is considered illustrative in its intended use and
not be used for mapping purposes or requirements under state or
laws, regulations, or programs governing mine permitting and/or
This map was prepared based on information provided by others.
Boyd Company does not warrant or otherwise certify the accuracy of
ation or the extent of such mining or the other features depicted hereon.
GROUP–jfg\3487.002\FIGURE 6–2.DWG


Q:\CAD_G
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Q:\CAD_GROUP-jfg\3467.002\FIGURE 6-3.DWG

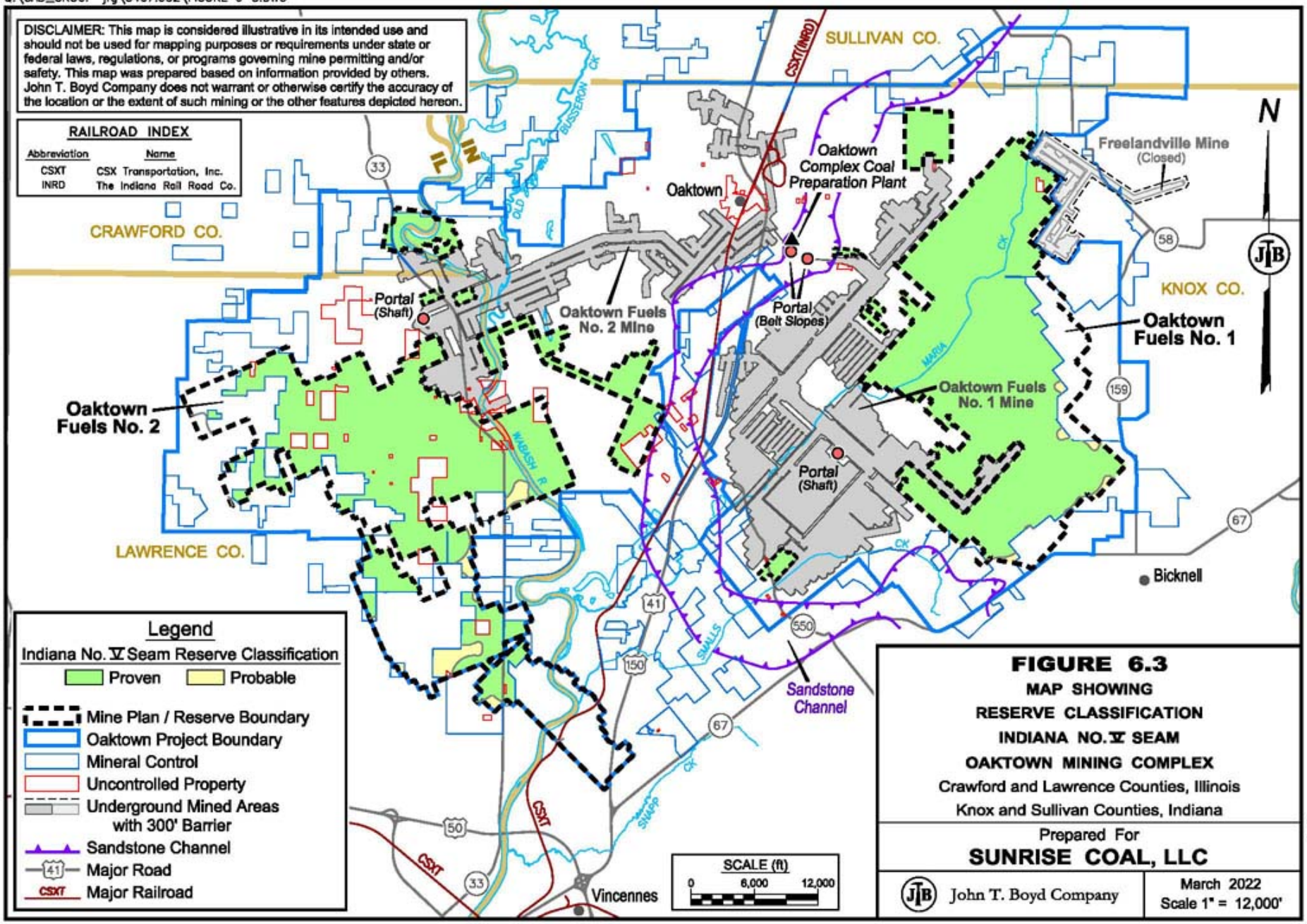


TABLE 6.2

ESTIMATED COAL RESERVES BY MINE
AS OF 31 DECEMBER 2021
OAKTOWN MINING COMPLEX
Indiana and Illinois
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

		Product Tons (millions)			Average Product Quality (As Received Basis)				
			By Permit Status		%				
Control	Classification	Total	Permitted	Not Permitted	Total Moisture	Sulfur	Ash	SO2 (lbs/MM Btu)	Heating Value (Btu/lb)
Oaktown Fuels No. 1 Mine									
Owned	Proven	-	-	-	-	-	-	-	-
	Probable	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
Leased	Proven	40.1	40.1	-	13.0	3.5	7.4	6.0	11,519
	Probable	0.4	0.4	-	13.0	3.6	7.4	6.2	11,525
	Subtotal	40.5	40.5	-	13.0	3.5	7.4	6.0	11,519
Total	Proven	40.1	40.1	-	13.0	3.5	7.4	6.0	11,519
	Probable	0.4	0.4	-	13.0	3.6	7.4	6.2	11,525
	Total	40.5	40.5	-	13.0	3.5	7.4	6.0	11,519
Oaktown Fuels No. 2 Mine									
Owned	Proven	-	-	-	-	-	-	-	-
	Probable	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
Leased	Proven	29.7	25.3	4.4	13.0	3.3	7.9	5.7	11,540
	Probable	1.2	0.3	0.9	13.0	3.2	8.0	5.6	11,520
	Subtotal	30.9	25.6	5.3	13.0	3.3	7.9	5.6	11,540
Total	Proven	29.7	25.3	4.4	13.0	3.3	7.9	5.7	11,540
	Probable	1.2	0.3	0.9	13.0	3.2	8.0	5.6	11,520
	Total	30.9	25.6	5.3	13.0	3.3	7.9	5.6	11,540
Total - Oaktown Mining Complex									
Owned	Proven	-	-	-	-	-	-	-	-
	Probable	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
Leased	Proven	69.8	65.4	4.4	13.0	3.4	7.6	5.9	11,528
	Probable	1.6	0.7	0.9	13.0	3.3	7.8	5.8	11,522
	Subtotal	71.4	66.1	5.3	13.0	3.4	7.6	5.9	11,528
Total	Proven	69.8	65.4	4.4	13.0	3.4	7.6	5.9	11,528
	Probable	1.6	0.7	0.9	13.0	3.3	7.8	5.8	11,522
	Total	71.4	66.1	5.3	13.0	3.4	7.6	5.9	11,528

Coal reserves for the Oaktown Mining Complex are summarized by mine in Table 6.3.

Table 6.3: Coal Reserves Summary

Mine	Product Tons (millions) by Classification		
	Proven	Probable	Total
Oaktown Fuels No. 1	40.1	0.4	40.5
Oaktown Fuels No. 2	29.7	1.2	30.9
Total	69.8	1.6	71.4

The reported coal reserves include only coal that is controlled by the company under lease agreement as of December 31, 2021. It should be noted that the Sunrise LOM plans assume approximately 20.2 million product tons of currently uncontrolled coals will be mined over the course of the operation. Given Sunrise's historical ability to obtain mineral rights in advance of mining, the inclusion of this currently uncontrolled coal within the LOM plans for the Oaktown Fuels No. 1 and No. 2 Mines is reasonable. BOYD is not aware of any encumbrances, litigation, or orders which would hinder continued development of the property.

At the time of reporting, 66.1 million product tons, or over 92% of the reported reserves, are permitted for mining by appropriate federal and state regulatory authorities. The remaining 5.3 million product tons are not permitted. It is typical for mining permits to be periodically amended as mining progresses to add acreage (tonnage) in order to sustain coal production. It is reasonable to expect that all necessary permits to recover the coal will be successfully obtained in advance of mining.

The coal reserves of the Oaktown Mining Complex are well-explored and defined. It is our conclusion that over 96% of the stated reserves can be classified in the proven reliability category (the highest level of assurance) with the remainder classified as probable. Given the uniformity of the Indiana V Seam in and around the Oaktown Mining Complex, it is reasonable to assume that further exploration and testing will confirm the occurrence of coal reserves, resulting in an increase in the percentage of coal reported in the proven category.

Table 6.4 below summarizes the washed coal quality for each mine of the Oaktown Mining Complex. The reported coal reserves generally consist of high-sulfur moderate ash coal that may be used for steam purposes.

Table 6.4: Coal Reserves Product Quality Summary

	Average Product Quality (As Received Basis)				
		%			
Mine	Total Moisture	Sulfur	Ash	SO2 (lb/mmBtu)	Heating Value (Btu/lb)
Oaktown Fuels No. 1	13.0	3.5	7.4	6.0	11,519
Oaktown Fuels No. 2	13.0	3.3	7.9	5.6	11,540
Average	13.0	3.4	7.6	5.9	11,528

Figures 6.4 and 6.5, respectively, illustrate the product ash and product sulfur content over the Oaktown Mining Complex area. As shown, there are slight increases in both ash and sulfur content from southeast to northwest across the property.

The Oaktown Mining Complex is an established underground coal mining and processing complex with a consistent operating history. BOYD has assessed that sufficient studies have been undertaken to enable the coal resources to be converted to coal reserves based on current operating methods and practices. Changes in the factors and assumptions employed in these studies may materially affect the coal reserve estimate.

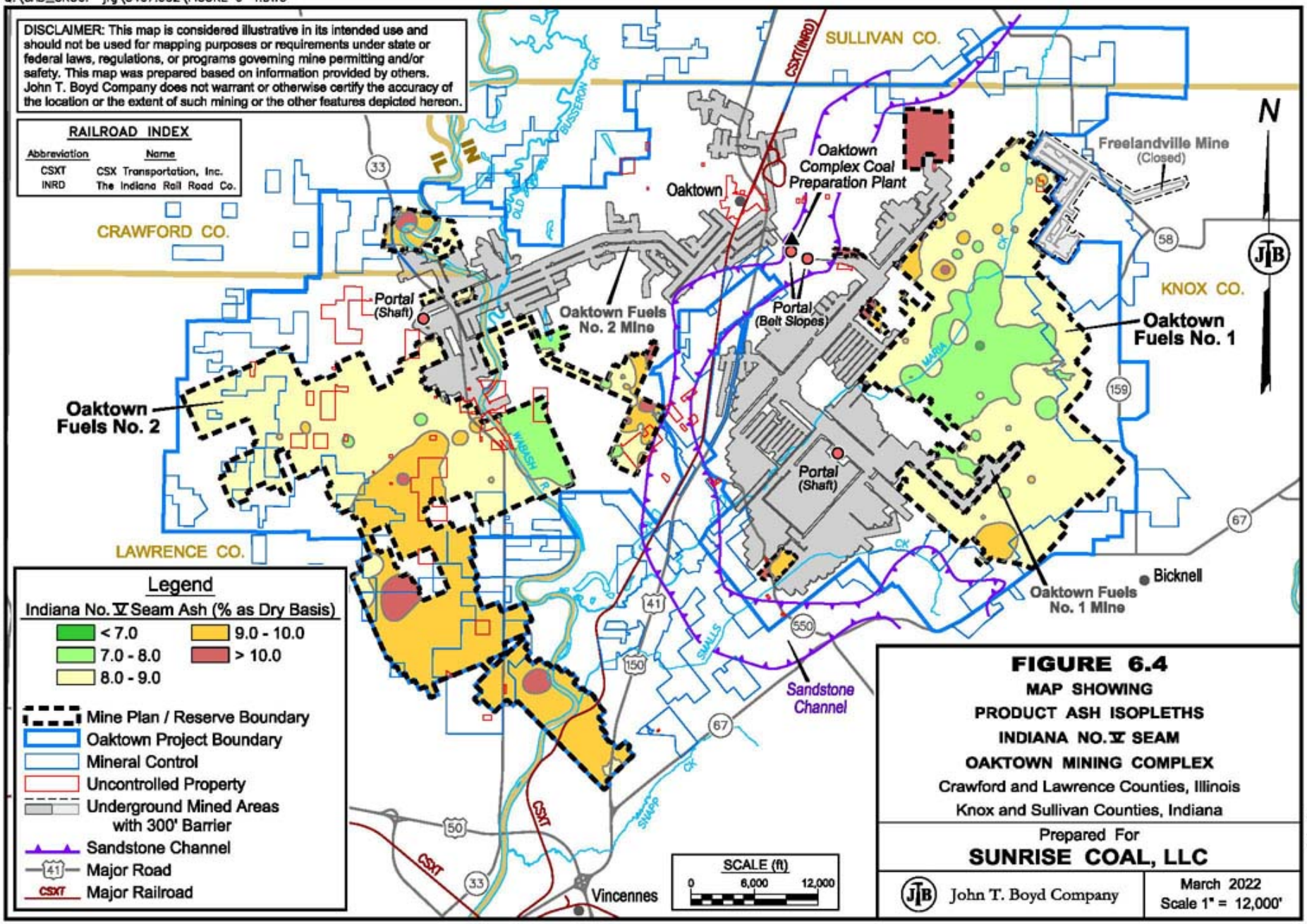
The extent to which the coal reserves may be affected by any known geological, operational, environmental, permitting, legal, title, variation, socio-economic, marketing, political, or other relevant issues has been reviewed as warranted. It is BOYD's opinion that Sunrise has appropriately mitigated, or has the operational acumen to mitigate, the risks associated with these factors. BOYD is not aware of any additional risks that could materially affect the development of the reserves.

Based on our audit review, we have a high degree of confidence that the estimates shown in this report accurately represent the available coal reserves controlled by Sunrise, as of December 31, 2021.

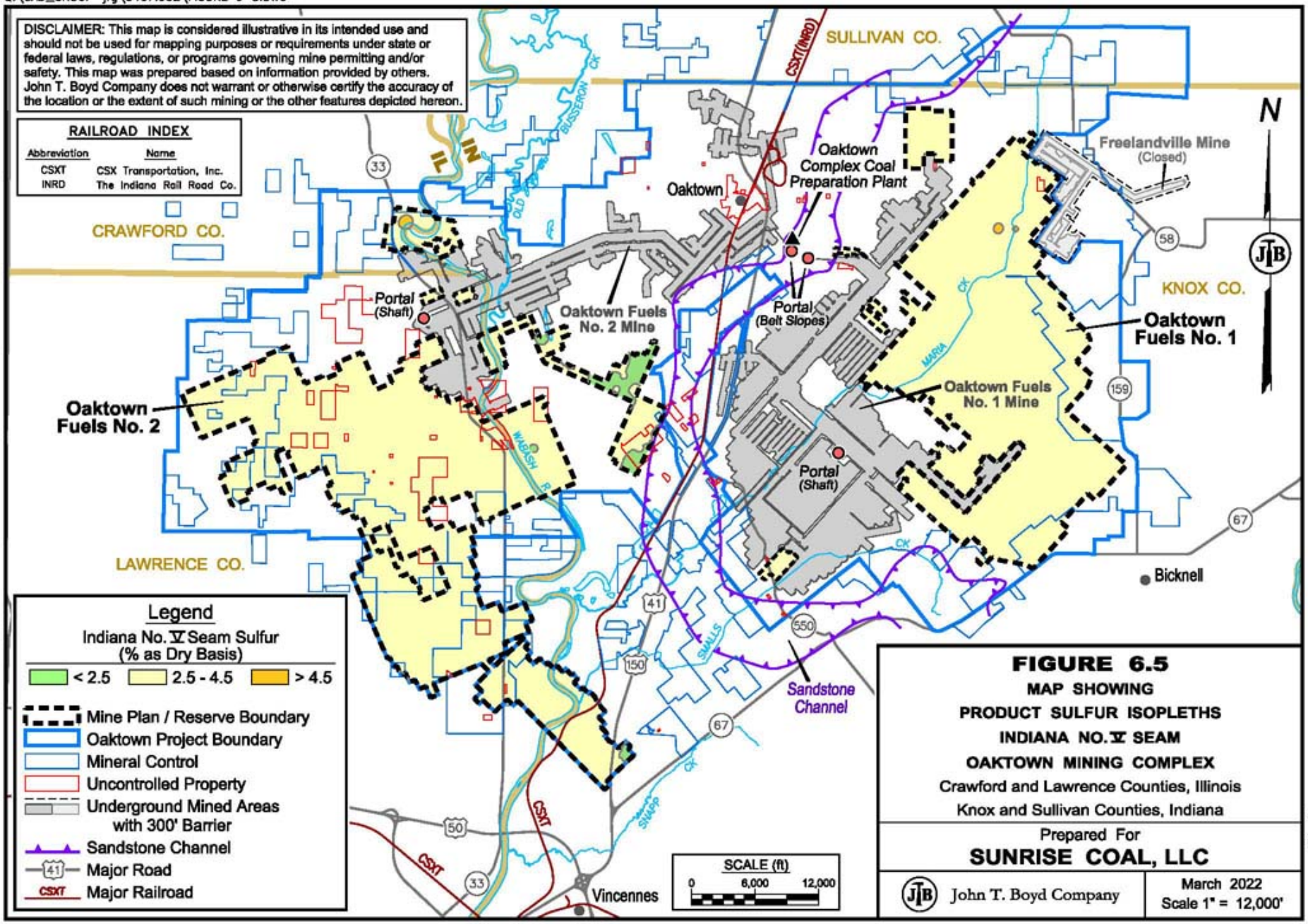
6.3.5 Validation

BOYD independently estimated coal reserves for the Oaktown Mining Complex mine plan from geologic data and models provided by Sunrise. Based on our review of

Q:\CAD_GROUP-jfg\3467.002\FIGURE 6-4.DWG



Q:\CAD_GROUP-jfg\3467.002\FIGURE 6-5.DWG



Sunrise's well-documented geologic modeling and estimation techniques and the results of our data validation efforts (described earlier), we are of the opinion that Sunrises' modeling procedures are reasonable and appropriate. We consider the LOM plan and economic forecast sufficiently detailed to support the estimate of coal reserves reported herein. Furthermore, it is BOYD's opinion that there is a high degree of assurance associated with the stated coal reserves due to the current amount of exploration and sampling, mine planning, and economic analyses that have been completed on the Indiana V Seam within the Oaktown Mining Complex area.

6.3.6 Reconciliation with Previous Estimates

Figure 6.6 illustrates the comparison of Sunrise's coal reserve estimates as of December 31, 2021, with the historical estimate of December 31, 2020:

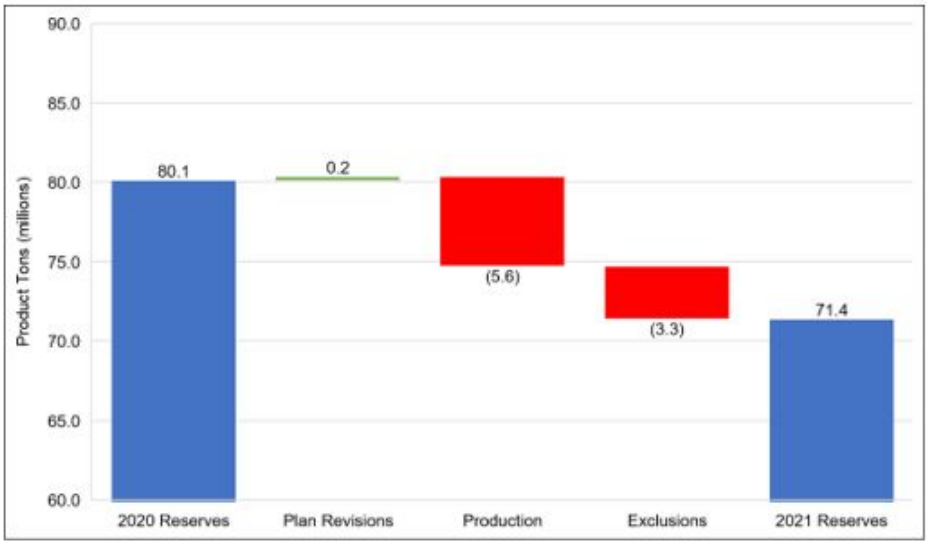


Figure 6.6

Reconciliation with Previous Coal Reserves Estimate

The net decrease in reserves reflects: (1) revisions to mine plans and/or associated modifying factors as determined by Sunrise management or BOYD, (2) depletion through ordinary mining operations and inventory sales, and (3) exclusion of a small block of coal for which BOYD opines there does not exist reasonable prospects for economic extraction.

---

[1] Note: BOYD has not done sufficient work to classify historical estimates as current coal resources or coal reserves and the issuer is not treating the historical estimate as current coal resources or coal reserves.

7.0 MINING OPERATIONS

7.1 Mining Method Description

Coal is produced by the Oaktown Fuels No. 1 and No. 2 underground mines using the R&P mining method. R&P mining is a partial extraction technique that recovers a portion of a coal seam. An illustration of a typical R&P mining operation is provided in Figure 7.1

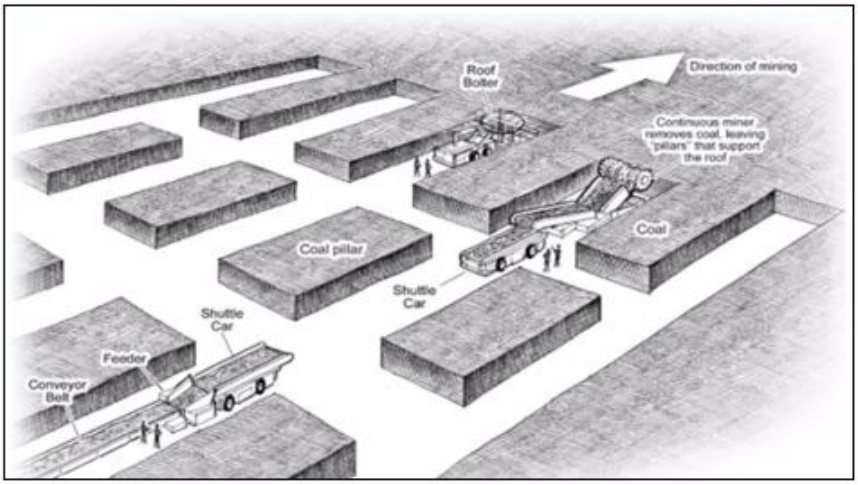


Figure 7.1
Room-and-Pillar Mining Method
Source: Pennsylvania State University (Arch Coal, Inc.).

R&P mining utilizes the systematic development of interconnected underground entries or openings with rectangular roadways that are driven in the coal seam and are typically supported by roof bolts installed in the immediate roof. The parallel mine entries are connected by crosscuts which result in a series of mine openings separated by solid coal pillars that support the main roof. R&P mining systems, which generally utilize CMs, can be used for coal production (like the underground mines of the Oaktown Mining Complex) or as a development technique to support longwall (LW) production. This flexible mining system is widely used across the US coal industry, at large and small mines with varying seam thicknesses and mining conditions.

A typical R&P production section will include one or two CM units, one to three roof bolting machines, and between two and three coal haulage machines (most commonly either ram cars [RC] or shuttle cars [SC]) per CM. The main piece of equipment is the CM, which is a heavy, steel framed machine (often over 40 tons) mounted on cat tracks, that operates on AC power. Key components of a CM include:

- Electric and hydraulic motors which power the CM's operation.
- A tram mechanism that propels the machine.
- A horizontally mounted, cylindrical cutting head used to cut the coal seam.
- A pair of gathering arms that pick-up/clear away the mined material.
- An internal conveyor system used to load the mined product into a haulage vehicle.

Although there have been ongoing advances in CM equipment technology, the basic R&P mining process has been utilized for decades and has remained largely unchanged over that time. The CM is used to extract the coal seam by mining a rectangular opening or "cut". The cut typically ranges from 18 ft to 20 ft in width and extends the height of the coal seam plus some increment of extraneous non-coal roof and floor material extracted during the mining process (known as OSD). The depth that the CM cuts into the coal seam (i.e., the cut length) is dependent upon mining conditions, regulations, operating practices, etc. but is generally in the range of 15 ft to 40 ft. Shorter cuts are taken in areas where there are difficult roof conditions.

A critical element of R&P mining is the interaction between the CM, the roof-bolting machine and supporting haulage units. Known as "place-changing", the following steps will typically occur during mining cycle:

1. The CM penetrates the cut. As the coal and associated OSD are extracted, the CM unit loads the broken material into one of the haulage vehicles/RC.
2. Once fully loaded, the RC carries the product from the CM to a "feeder," where the coal is discharged from the car and gradually metered onto a conveyor belt for transport out of the mine. The empty RC then trams back to the CM to be reloaded. While this is taking place, the second RC is subsequently loaded. If additional RCs are utilized, these units follow in sequence. This operating pattern continues until the coal volume within the cut is fully extracted.
3. The CM then backs out of the cut and trams to the next location where the mining process is continued.
4. After a cut is completed, the exposed roof in the cut (just completed by the CM) must be supported. A roof bolting machine trams into the freshly mined area, drills holes into the roof and installs roof bolts—steel rods that strengthen the integrity of the roof. The principle of roof bolting is to physically tie together the weaker individual layers of roof strata to create a single "laminated" unit of rock that is stronger than the unsupported strata.

[1] In instances where a CM is operating in thick seam conditions (i.e., the coal thickness is greater than 8 ft), the height of the cut may be less than the full thickness of the seam.

Place-change mining is an efficient form of R&P mining, although the process will routinely incur delays during a production shift (perhaps 5 to 20 minutes per occurrence, depending upon site-specific considerations). Where roof conditions permit (and approval is granted by regulatory agencies), mine operators will employ "deep cut" mining plans to reduce the impact of place-changing delays. Longer cuts (usually 30 ft to 40 ft in length) enable the CM to spend a greater portion of available shift time in cutting and loading activities.

Place-changing CM equipment has steadily evolved over the years via technological breakthroughs to become sophisticated, productive, and durable. Today's state-of-the-art CM units are equipped with efficient motors, computer diagnostics, solid-state electronics, advanced remote-control systems, and scrubbing mechanisms (which preserve underground air quality by capturing a significant percentage of respirable dust that is generated by the breaking/grinding of coal and rock during the mining process). Ever-improving technological gains have resulted in dramatic improvements in productivity, machine availability, employee safety, and unit operating costs over the past four decades.

A R&P mine may operate a single production section, or multiple sections (like the mines of the Oaktown Mining Complex). This is dependent upon the size of the reserve, supporting infrastructure, capitalization, markets, etc. A variation of the traditional R&P place-changing method is the "super-section". Under this system, the CM production section is equipped with two CM machines, two sets of haulage vehicles, and multiple roof bolters. Under this variation, each "super-section" essentially operates two production units per belt dumping point enhancing the productive output of the mine section. This variation of traditional R&P mining is employed at both Oaktown Fuels No. 1 and No. 2 Mines.

R&P extraction may be performed as either "first mining" or "secondary extraction". First or "advance-only" mining is where a system of entries or openings are driven/advanced and the remaining coal pillars are left intact. Under this system, after a section has reached its intended advance distance, the section equipment is recovered and relocated to a new area, leaving the developed pillars untouched (i.e., no secondary mining of the pillars occurs). Reasons for employing this type of R&P mining may include equipment specifications, geological conditions, subsidence restrictions, operator preferences, etc.

Secondary extraction or “retreat mining” is the process whereby, after the mine workings have reached the end of the advance stage of mining, the direction of mining is reversed (i.e., the mine operator retreats towards the mouth of the production section, employing a prescribed series of cuts to sequentially recover coal from the pillars). Retreat mining systems can be complex and may include partial or full pillar extraction (which allows the roof to systematically collapse and subsequently results in subsidence of the overlying surface).

Reserve recovery (extraction ratio) varies at R&P mines. Generally, 40% to 50% extraction of the in-place coal is typical, with extraction ratios ranging from 30% to 70%. Retreat mining may or may not offer higher extraction ratios than advance only mining; actual recoveries are dependent upon pillar dimensions and a variety of operational considerations.

The Oaktown Fuels No. 1 Mine typically operates as a three to four super-section operation, and Oaktown Fuels No. 2 Mine typically operates as a two to three super-section operation. Currently, the mines are performing first mining only; Sunrise has no projections for retreat mining in production panels within its LOM plan and has not historically utilized “retreat mining” at the Oaktown Mining Complex.

R&P mining has been one of the predominant approaches to mining the Indiana V Seam (within which Oaktown Mining Complex operates) for decades. Mining in the Oaktown Fuels No. 1 Mine, which first began production in 2009 and is the oldest of the Oaktown Mining Complex’s two operations, is largely identical to the practices used at the Oaktown Fuels No. 2 Mine. In terms of mining methodology, the application of R&P mining techniques at the Oaktown Fuels No. 1 and No. 2 Mines is viewed as a prudent operating decision based on: (1) the extent of the complex’s overall coal reserve base, (2) Sunrise’s targeted annual production levels, (3) the mines’ historic and expected mining conditions and seam orientation, and (4) the successful application of R&P technology at nearby historical and active mining operations. The use of R&P mining at the Oaktown Mining Complex is further justified based on Sunrise’s experience operating R&P mines and their reputation for having refined the technical, operational, and financial elements of this mining technique for site specific conditions over the years.

7.2 Mine Equipment and Staffing

7.2.1 Mine Equipment

The equipment utilized at the two Oaktown Mining Complex underground R&P mines is nearly identical to one another. This allows for synergies between the operations, including the sharing of equipment and critical spare parts. Additionally, mining equipment utilized by Oaktown Mining Complex is not unique to the ILB region (i.e., Oaktown Mining Complex's mining equipment is similar to the equipment commonly used by competitor underground mines in the region).

Table 7.1 presents Oaktown Mining Complex's projected number of CM super-sections for 2022 through 2038 according to BOYD's conceptual LOM:

Table 7.1: Projected Number of Operating CM Sections

Mine/ Production Section	Year 2022 - 2034	2035 - 2036	2037 - 2038
Oaktown Fuels No. 1 Mine			
CM Sections	4	2	-
Oaktown Fuels No. 2 Mine			
CM Sections	3	3	3

A listing of equipment typically employed by the two mines' CM super-sections is shown in Table 7.2:

Table 7.2: Summary of Production Unit Equipment

Section Type	Equipment Type	Manufacturer	Quantity
CM Sections	Continuous Miner	Joy	2
	Shuttle Car/Ram Car	Joy, Stamler	2-3
	Bolter	Fletcher	1-3
	Scoop	Fairchild	1-3
	Power Center	Line Power	1-2
	Feeder	Joy, Stamler	1

Based on BOYD's review of the Oaktown Mining Complex equipment and asset listings, the operations' current complement of equipment is sufficient to meet the production levels projected for each of the operations over their conceptual LOM plans. Additionally, capital projections prepared by Sunrise have accounted for future equipment related expenditures to maintain production at forecasted levels. In BOYD's opinion, all mining equipment utilized on the Oaktown Mining Complex CM super-sections is suitable for the mining conditions anticipated, as well as for the future proposed rates of production.

7.2.2 Staffing

Oaktown Mining Complex's underground mines and coal preparation facility are staffed by a workforce primarily from the surrounding southwestern Indiana and southeastern Illinois areas. The workforce, which is comprised of both hourly and salary employees, has no labor affiliation (i.e., the Oaktown Mining Complex is union-free). Table 7.3 provides recent historical employment for each operational site:

Table 7.3: Historical Employment

Operational Site	Employee Classifcation	Employee Count by Year			
		2018	2019	2020	2021
Oaktown Fuels No. 1	Underground	301	296	300	286
	Surface	32	36	33	32
	Office	8	11	11	10
	Subtotal	341	343	344	328
Oaktown Fuels No. 2	Underground	265	249	215	263
	Surface	2	3	4	8
	Office	5	6	5	3
	Subtotal	272	258	224	274
Oaktown Complex CPP	Surface	59	72	61	68
Total Oaktown Complex		672	673	629	670

Source: MSHA Form 7000-2

Future employment levels are expected to resemble historical levels. Given Sunrise's ability to hire and retain employees, staffing is not expected to hinder the Oaktown Mining Complex operations' ability to achieve forecasted production levels.

7.3 Mine Production

7.3.1 Historical Mine Production

Historical mine production data for the two Oaktown Mining Complex underground R&P mines, based on publicly available information reported by MSHA, are detailed in Table 7.4, following this page.

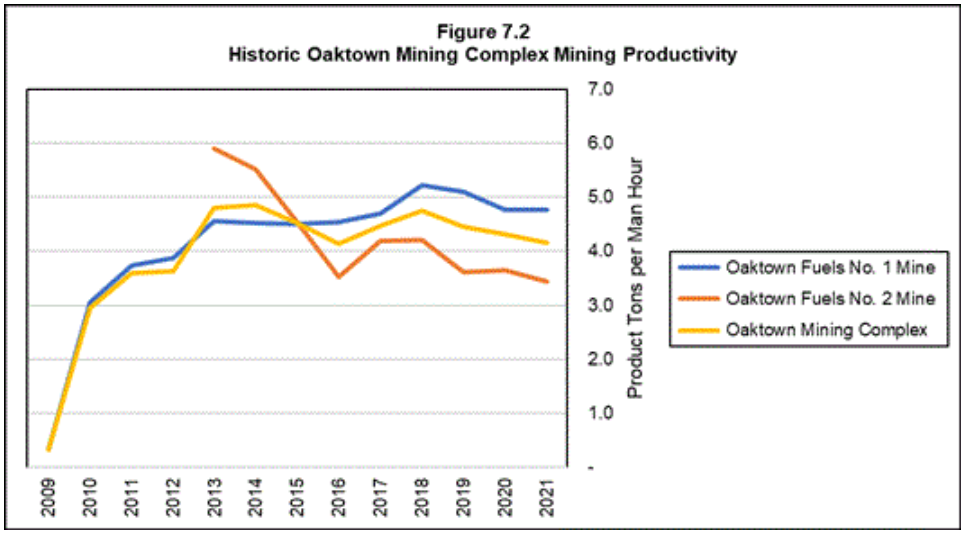
TABLE 7.4

HISTORICAL PRODUCTION DATA
OAKTOWN FUELS MINING COMPLEX
Indiana and Illinois
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

	Oaktown Fuels No. 1 Mine			Oaktown Fuels No. 2 Mine			Oaktown Mining Complex		
Year	Tons (000)	Hours (000)	Tons per Emp-Hour	Tons (000)	Hours (000)	Tons per Emp-Hour	Tons (000)	Hours (000)	Tons per Emp-Hour
2021	3,489	732	4.8	2,147	626	3.4	5,636	1,358	4.2
2020	3,433	718	4.8	1,810	495	3.7	5,243	1,213	4.3
2019	4,167	816	5.1	2,298	637	3.6	6,464	1,453	4.4
2018	4,072	779	5.2	2,867	680	4.2	6,939	1,458	4.8
2017	3,684	784	4.7	2,547	608	4.2	6,231	1,392	4.5
2016	3,828	844	4.5	1,947	553	3.5	5,775	1,397	4.1
2015	3,519	780	4.5	2,180	480	4.5	5,699	1,260	4.5
2014	3,341	739	4.5	2,092	378	5.5	5,433	1,117	4.9
2013	3,376	741	4.6	1,039	176	5.9	4,415	917	4.8
2012	2,754	709	3.9	-	50	-	2,754	759	3.6
2011	2,668	715	3.7	-	26	-	2,668	741	3.6
2010	1,015	333	3.0	-	11	-	1,015	344	2.9
2009	47	145	0.3	-	-	-	47	145	0.3
2008	-	33	-	-	-	-	-	33	-
Total	39,392	8,868	4.4	18,926	4,719	4.0	58,318	13,587	4.3

Notes:
(1) Employee Hours for each operation includes Underground, Surface at Underground, and Office Workers employees as listed by MSHA.
(2) Employees Hours for Oaktown Fuels includes all operational employee hours and additionally all preparation/mill site employee hours for each operation as listed by MSHA.
(3) Tons reported as Product Tons.

As a complex, Oaktown Mining Complex has produced a combined 58.3 million tons of clean coal during 2009 to 2021. Through the same period, the complex has recorded an average productivity level of 4.3 tons per employee-hour (TPEH). Figure 7.2 shows historic mining productivity for Oaktown Mining Complex and each mine individually since their start.



7.3.2 Forecasted Production

BOYD developed LOM plans for each of the Oaktown Mining Complex underground mines based on generally accepted engineering practices, and in alignment with historical and industry norms. It is BOYD's opinion that the forecasted production levels for the Oaktown Mining Complex operations are reasonable, logical, and consistent with typical CM mining practices within the ILB and historical practices utilized by the Oaktown Mining Complex.

The Oaktown Mining Complex LOM plans (see Table 7.5) portray a consistent production output during 2022 through 2031 and then a decline in production as the number of CM units are reduced gradually as the mining reserves are depleted. In the aggregate, the Oaktown Mining Complex LOM plan projects the complex will produce approximately 131.6 million tons of ROM and approximately 91.6 million tons of clean coal over its operational horizon. Table 7.6 provides a summary of the forecasted production from each of the Oaktown Mining Complex mines during the next ten years (2022 to 2031).

TABLE 7.5

LIFE-OF-MINE PLAN COAL PRODUCTION SUMMARY
OAKTOWN FUELS MINING COMPLEX
Indiana and Illinois
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

	Tons (000)					
	Oaktown Fuels Mine No. 1		Oaktown Fuels Mine No. 2		Oaktown Mining Complex	
Year	ROM	Product	ROM	Product	ROM	Product
2022	5,730	4,052	4,330	2,912	10,060	6,965
2023	4,371	3,174	4,472	3,060	8,843	6,234
2024	4,296	3,144	4,712	3,103	9,009	6,247
2025	4,440	3,249	4,291	2,845	8,731	6,094
2026	4,413	3,218	4,521	3,080	8,934	6,298
2027	4,263	3,128	4,270	2,858	8,533	5,986
2028	4,478	3,301	4,020	2,661	8,498	5,962
2029	4,632	3,386	3,847	2,545	8,479	5,931
2030	4,607	3,417	4,078	2,719	8,685	6,136
2031	4,552	3,335	4,168	2,824	8,721	6,159
2032	4,205	3,044	3,859	2,520	8,063	5,564
2033	4,159	3,000	4,273	2,846	8,432	5,846
2034	4,433	3,222	3,979	2,533	8,412	5,755
2035	1,985	1,424	4,119	2,770	6,103	4,194
2036	0.8	0.5	4,126	2,843	4,126	2,843
2037	-	-	4,128	2,813	4,128	2,813
2038	-	-	3,855	2,533	3,855	2,533
Total/Average	60,564	44,095	71,048	47,464	131,612	91,559

Table 7.6: Ten-Year Mine Production Plan

Mine/ Production Section	ROM Production (000 Tons) 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Oaktown Fuels No. 1 Subtotal	5,730	4,371	4,296	4,440	4,413	4,263	4,478	4,632	4,607	4,552	45,782
Oaktown Fuels No. 2 Subtotal	4,330	4,472	4,712	4,291	4,521	4,270	4,020	3,847	4,078	4,168	42,710
Oaktown Mining Complex Total	10,060	8,843	9,009	8,731	8,934	8,533	8,498	8,479	8,685	8,721	88,492

BOYD projects that the Oaktown Mining Complex will produce approximately 88.5 million ROM tons during the immediate 10-year period.

Clean coal quality for Oaktown Mining Complex coal produced throughout the LOM plan is shown in Table 7.7, following this page; summary quality data for 2022 through 2031 is provided in the Table 7.8 below:

Table 7.8: Planned Ten-Year Product Coal Output

Production and Quality	Units	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total/ Average
Product Coal (tons 000)	Tons (000)	6,965	6,234	6,247	6,094	6,298	5,986	5,962	5,931	6,136	6,159	62,012
Yield (%)	%	69.2	70.5	69.3	69.8	70.5	70.1	70.2	69.9	70.7	70.6	70.1
Product Coal Quality (arb)												
Ash (%)	%	8.4	7.6	7.8	7.6	7.5	7.4	7.3	7.2	7.2	7.3	7.6
Sulfur (%)	%	3.5	3.4	3.2	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.4
Heating Value (Btu/lb)	Btu/lb	11,420	11,548	11,511	11,540	11,546	11,575	11,578	11,578	11,595	11,602	11,547
SO_2 (lbs/MMBtu)	lbs/MMBtu	6.2	5.9	5.5	5.8	5.9	5.8	5.8	5.8	5.8	5.7	5.8

In general, Oaktown Mining Complex's annual clean coal yield and quality is relatively consistent over the 10-year period; this consistency is in line with the local geology of the Indiana V Seam.

During the 10-year period, Oaktown Mining Complex is forecasted to produce approximately 62.0 million tons of clean coal. While it is expected that the mines will encounter local areas of high ash and/or sulfur from either individual mine, the aggregate product from Oaktown Mining Complex should see minimal impact. This reflects the fact that Oaktown Mining Complex's infrastructure allows for the blending of each the individual mines' segregated ROM product, thus mitigating the influence/impact that an individual mine or production unit (producing in a localized area of lesser coal quality) could have on the complex's overall product quality

TABLE 7.7

LIFE-OF-MINE PLAN COAL QUALITY SUMMARY
OAKTOWN FUELS MINING COMPLEX
Indiana and Illinois
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

	Production (Tons 000)		Product Quality (As-Received Basis)				
Year	ROM	Product	Plant Yield (%)	Ash (%)	Sulfur (%)	Heating Value (Btu/lb)	SO_2 (lbs/MMBtu)
2022	10,060	6,965	69.2	8.4	3.5	11,419.7	6.2
2023	8,843	6,234	70.5	7.6	3.4	11,548.5	5.9
2024	9,009	6,247	69.3	7.8	3.2	11,510.7	5.5
2025	8,731	6,094	69.8	7.6	3.4	11,540.4	5.8
2026	8,934	6,298	70.5	7.5	3.4	11,546.4	5.9
2027	8,533	5,986	70.1	7.4	3.4	11,574.9	5.8
2028	8,498	5,962	70.2	7.3	3.4	11,578.4	5.8
2029	8,479	5,931	69.9	7.2	3.3	11,578.1	5.8
2030	8,685	6,136	70.7	7.2	3.3	11,594.6	5.8
2031	8,721	6,159	70.6	7.3	3.3	11,602.2	5.7
2032	8,063	5,564	69.0	7.5	3.4	11,544.2	5.9
2033	8,432	5,846	69.3	7.6	3.4	11,535.9	5.9
2034	8,412	5,755	68.4	7.7	3.3	11,530.1	5.8
2035	6,103	4,194	68.7	8.1	3.2	11,452.9	5.5
2036	4,126	2,843	68.9	8.4	3.3	11,439.9	5.7
2037	4,128	2,813	68.1	8.3	3.3	11,455.0	5.7
2038	3,855	2,533	65.7	8.3	3.3	11,459.3	5.7
Total	131,612	91,559	69.6	7.7	3.4	11,532.4	5.8
Min	3,855.4	2,533.1	65.7	7.2	3.2	11,419.7	5.5
Max	10,060.3	6,964.7	70.7	8.4	3.5	11,602.2	6.2

7.3.3 Mining Recovery and Dilution Factors

The Oaktown Mining Complex's underground R&P mines operate within the same geological setting and coal seam with little distinguishable differences. As such, the design of each mine is largely the same (e.g., mains width, panel width and length, and CM support pillars). As a result, mining recoveries within the individual mine plans are largely similar. The estimated mining recoveries for Oaktown Mining Complex generally range from 40% to 50%. Based on our review of Oaktown Mining Complex's reserves by individual mining areas, it is BOYD's opinion that the mining area recoveries utilized are reasonable and align with general engineering principles.

The proximity of the operations within the same geologic setting and coal seam also results in similar dilution factors for both Oaktown Mining Complex's mines. The mining horizon targeted by each of the mines includes the main bench of the Indiana V Seam and any in-seam partings. Both mines traditionally operate within the seam as much as possible with little OSD.

The CM mains sections are more subject to sporadic OSD due to maintaining proper ventilation airways, airway intersection locations with planned undercasts, provide adequate clearances for belt transfers, etc., regardless of the targeted mining horizon thickness. These variances are more likely a result of mine infrastructure and design rather than fluctuations in geology.

7.3.4 Expected Mine Life

The LOM plan for each of the Oaktown Mining Complex mines' operation was developed with input from both Sunrise and BOYD. The LOM plan was developed with consideration taken for mineral control and timing based upon forecasted production levels for each mine. The depicted general layout and mineral control for Oaktown Fuels No. 1 and No. 2 are shown in Figure 3.1.

The final year of the Oaktown LOM plan is 2038. While Oaktown Mining Complex is forecasted to operate through 2038, each mine has a different expected mining life. The

following summary provides the expected mine life for each of the individual underground R&P mines:

Table 7.9: Mine Life Projection

Mine	Expected Life (years)	Last Year of Mining
Oaktown Fuels No. 1	14	2036
Oaktown Fuels No. 2	16	2038

Production units will start to decrease following 2031 as the recoverable reserves are gradually depleted at Oaktown Fuels No. 1 Mine with the final year of production being 2036 for the mine. Oaktown Fuels No. 2 Mine is scheduled to maintain three production units through the LOM plan until the reserves are exhausted in 2038 for both Oaktown Fuels No. 2 Mine, and resultantly, the Oaktown Mining Complex.

7.4 Other Mining Considerations

7.4.1 Mine Design

The ILB region utilizes a wide range of mining techniques for the extraction of coal including both surface and underground mining methods. However, the majority of coal mining production from the ILB region focuses largely on the Indiana V (Springfield) and Indiana VI (Herrin) Seams extracted through underground mining methods.

Given the large extent of reported coal reserves, overall good mining conditions, general coal seam consistency, consistent depth of cover, and relatively low population density on the overlying surface, the Oaktown Mining Complex is well suited for underground R&P mining. Mining plans for R&P mines without secondary extraction are relatively simple yet highly flexible. Unlike LW operations (having a rigid system), the Oaktown Fuels No. 1 and No. 2 Mines' mining method allows for opportunity to alter the mining plan to avoid specific areas with adverse mining conditions (such as thin coal, poor roof, etc.) or poor coal quality (such as high sulfur, etc.). Mains and sub-mains are typically established in areas where confidence is highest regarding good mining conditions, roof conditions, coal thicknesses, etc. Panels are then developed out to a desired length (whether that be operationally, or engineering based) or until adverse mining conditions or poor coal quality warrant the cessation of development. When the mine panels reach the end of their advance stage of mining, the mine operator removes the production equipment and reinstalls to another location within the mine to commence production.

The Oaktown Mining Complex is approved for “first only” mining, and Sunrise has no intentions of employing secondary (retreat) mining methods at either of the operations. The use of “first only” mining is common for the ILB region R&P underground mines. There remains substantial public and environmental group opposition to mining in general, however this is more particularly targeted towards LW mining and secondary mining (retreat mining) and the effects of subsidence on surface structures and, more recently, perennial streams. The Oaktown Mining Complex is shielded from a portion of this opposition given the implementation of “first only” mining methods. While there are likely to be some instances of heightened environmental and communal concern regarding mining within the Oaktown Mining Complex plans, Sunrise has historically demonstrated the ability to apply for and obtain the necessary permits for continued mining within their controlled coal reserves, even while being met with some environmental pushback.

7.4.2 Mining Risk

Underground R&P mines face two primary types of operational risks. The first category of risk includes those daily variations in physical mining conditions, mechanical failures, and operational activities that can temporarily disrupt production activities. Several examples are as follows:

- Roof control problems and roof falls.
- Water accumulations/soft floor conditions.
- Ventilation disruption and concentrations of methane gas.
- Variations in seam consistency, thickness, and structure.
- Failures or breakdowns of operating equipment and supporting infrastructure.
- Weather disruptions (power outages, inability to load barges due to flooding of rivers, etc.).

The above conditions/circumstances can adversely affect production on any given day, but are not regarded as “risk issues” relative to the long-term operation of a mining operation. Instead, these are considered “nuisance items” that, while undesirable, are encountered on a periodic basis at virtually all mining operations. Engineered mining plans and projections for the Oaktown Mining Complex appear to incorporate generally-accepted industry and Sunrise historical performance levels as a basis, and thereby mitigate the likelihood that the mines will experience such disruptions to production operations to the extent that they have previously occurred. BOYD does not regard the issues listed above as being material to the Oaktown Mining Complex mining operations or otherwise compromising the forecasted performance.

The second type of risk is categorized as “event risk.” Items in this category are rare, but significant occurrences that are confined to an individual mine, and ultimately have a pronounced impact on production activities and corresponding financial outcomes. Examples of event risks are major fires or explosions, floods, or unforeseen geological anomalies that disrupt extensive areas of underground mine workings and require alterations of mining plans. Such an event can result in the cessation of production activities for an undefined but extended period (measured in months, and perhaps years) and/or result in the sterilization of coal reserves.

The US mining industry has made tremendous strides in enhancing employee safety and reducing the likelihood of fires, explosions, and other dramatic events over the past several decades. Underground R&P mining is largely a predictable and safe industry. BOYD does not regard the Oaktown Fuels No. 1 and No. 2 mining operations and mine plans as being particularly risky, inadequately managed, or otherwise susceptible to major events. There is no basis to predict or otherwise anticipate major operational shortfalls and/or extraction of coal reserves at the subject mining operation.

8.0 PROCESSING OPERATIONS

8.1 Overview

The centrally located Oaktown Complex CPP is designed to process the combined ROM output produced by Oaktown Mining Complex's two underground R&P mines. Comprised of ROM coal stockpile areas, a coal processing plant, clean coal storage, a rail loadout facility, and truck scales/loading, the approximate 150-acre processing complex is located within proximity of the active operations.

The Oaktown Complex CPP first began operation as the coal washing facility for the Oaktown Fuels No. 1 Mine in 2009. In 2013, major renovations were made to the Oaktown Complex CPP to accommodate additional tonnage supplied from the newly developed Oaktown Fuels No. 2 Mine. Major process upgrades focused on adding a second 800 TPH circuit, increasing total CPP throughput capacity to 1,600 TPH.

While the capacity of the facility has grown, the coal preparation process at Oaktown Complex CPP, like other preparation plants in the ILB mining region, has largely remained unchanged since commissioning. Processing circuits within the Oaktown Complex CPP consist of heavy media bath, heavy media cyclones, hydro-spirals, and froth flotation. Straightforward when compared to many other mineral processing techniques, the coal process is largely based on separating rock material from coal material contained in the raw coal feed by mechanically reducing the size of the feed and utilizing the materials' different densities to gravitationally separate one from the other. Largely, the process requires water, magnetite, and frothing agents.

ROM coal arrives directly to the complex from the Oaktown Fuels No. 1 and No. 2 mines via two independent slope conveyor belts. There are two ROM coal storage areas that provide approximately 1.2 million tons of above-ground storage capacity for the Oaktown Mining Complex underground mines. The ROM coal storage areas enable each mine to provide their plant feed separately to the preparation facility, or to be combined for a blended product. The clean coal product is dried with screen-bowl centrifuges. Processed product is then transported via overland conveyor belt just over 1 mile to the north and stored at the open-air clean coal storage area. The main clean coal storage area has a capacity of approximately 980,000 tons, with an auxiliary clean coal storage located adjacently (capacity of approximately 290,000 tons) that can be utilized as necessary.

Clean coal is sampled and loaded into 120-car unit trains through a flood load system. The Oaktown Complex CPP is served by both CSX and INRD via a short rail spur that connects the complex's double loop rail system with the mainline rail just north of Oaktown, Indiana. Two rail sidings are employed to facilitate railroad transportation logistics and allowing the accommodation of two-unit trains at any time.

Following this page are Figure 8.1, which provides an aerial overview of the preparation facility area, and Figure 8.2, which provides a generic flow sheet of the CPP and related facilities.

8.2 Historical Operation

Due to the evolution and enlargement of Sunrise's Oaktown Mining Complex operations, the Oaktown Complex CPP underwent modification and expansion to accommodate the complex's increased coal production and washing requirements. The plant's expanded capacity is evidenced by its current average annual plant feed, which has grown from approximately 6.2 million tons processed in 2012-2013, to an average plant feed of 8.6 million ROM tons between 2017 to 2021.

The Oaktown Complex CPP has historically produced a very consistent clean coal product that possesses medium ash and high sulfur characteristics and between 11,000 to 12,000 Btu per lb on an as received basis. The plant's ability to blend raw coal production from the two underground mines into a singular plant feed allows for both more consistent plant operation and coal product qualities.

8.3 Future Operations

Sunrise intends to utilize the Oaktown Complex CPP throughout the LOM. Table 8.1 summarizes the near-term (2022 to 2026) planned production from the Oaktown Complex CPP.

Table 8.1: Planned CPP Operations

	2022	2023	2024	2025	2026	Average
Plant Production						
Plant Feed (000 Tons)	10,060	8,843	9,009	8,731	8,934	9,115
Clean Coal Produced (000 Tons)	6,965	6,234	6,247	6,094	6,298	6,367
Yield (%)	69.2	70.5	69.3	69.8	70.5	69.9
Product Coal Quality:						
Ash (%)	8.4	7.6	7.8	7.6	7.5	7.8
Sulfur (%)	3.5	3.4	3.2	3.4	3.4	3.4
Heating Value (Btu/lb)	11,420	11,548	11,511	11,540	11,546	11,511
SO2 (lbs/MMBtu)	6.2	5.9	5.5	5.8	5.9	5.9

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Figure 8.1

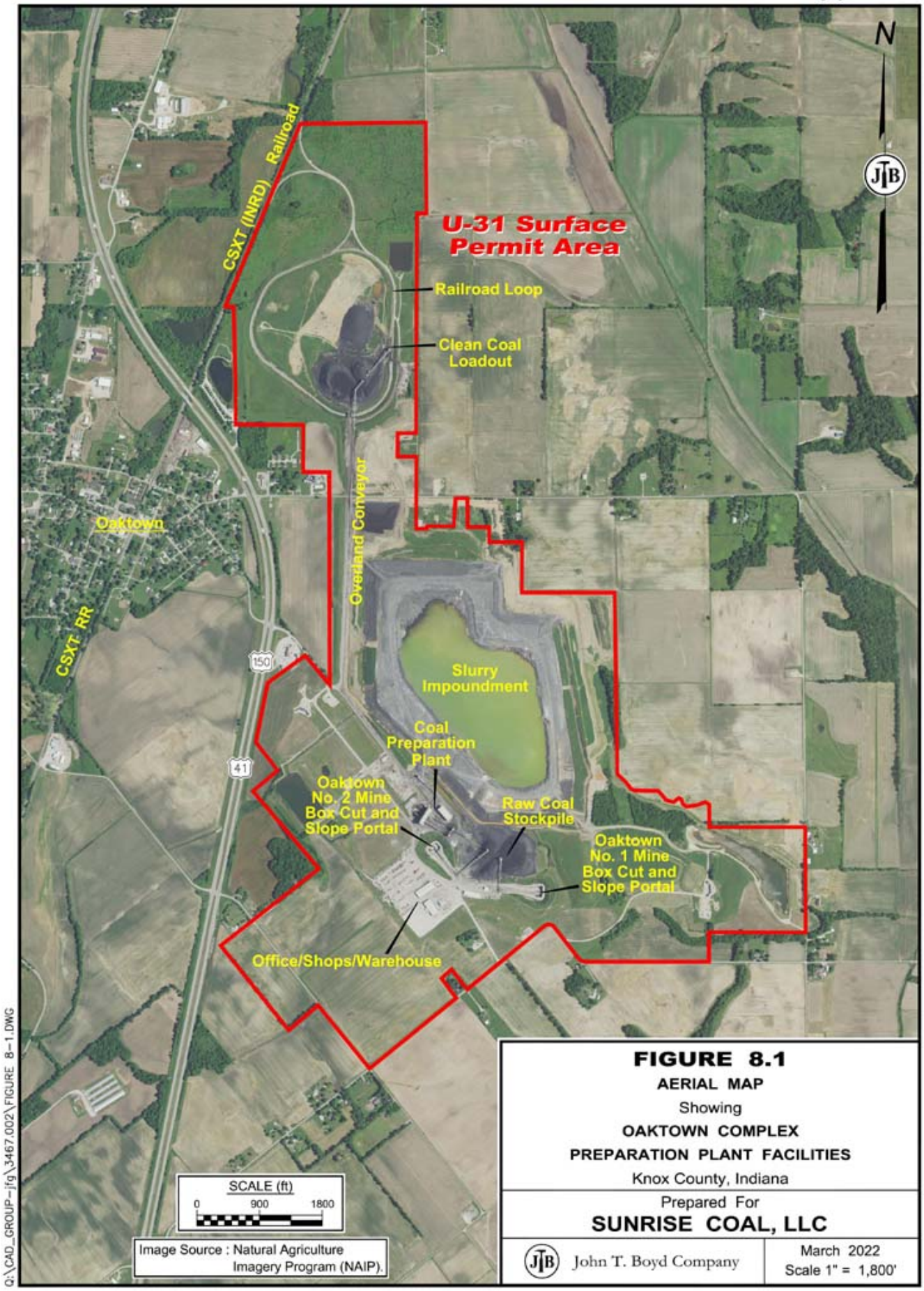


Figure 8.2

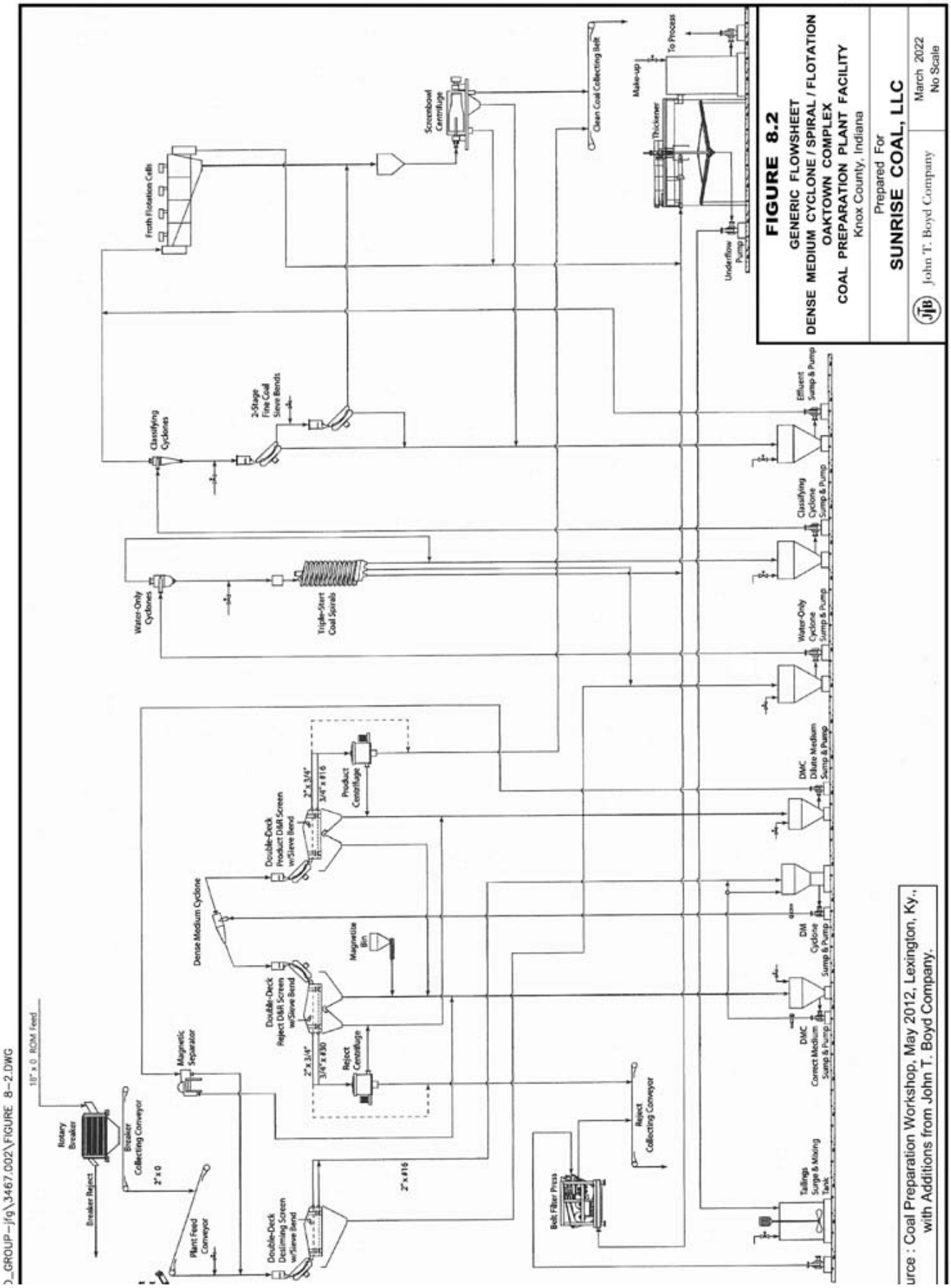
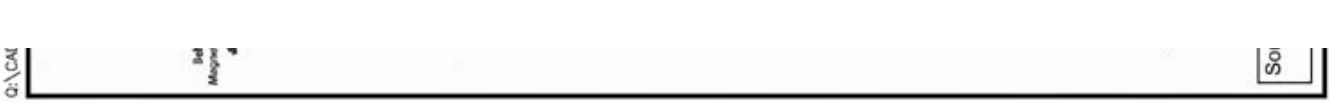


FIGURE 8.2
GENERIC FLOWSHEET
DENSE MEDIUM CYCLONE / SPIRAL / FLOTATION
OAKTOWN COMPLEX
COAL PREPARATION PLANT FACILITY
Knox County, Indiana
Prepared For
SUNRISE COAL, LLC
John T. Boyd Company
March 2022
No Scale
Froth Flotation Cells
Screenbowl Centrifuge
Clean Coal Collecting Belt
Make-up
To Process
Thickener
Underflow Pump
Classifying Cyclones
2-Stage Fine Coal Sieve Bends
Effluent Sump & Pump
Classifying Cyclone Sump & Pump
Water-Only Cyclones
Triple-Start Coal Spirals
Water-Only Cyclone Sump & Pump
Product Centrifuge
Double-Deck Product D&R Screen w/Sieve Bend
DMC Dilute Medium Sump & Pump
Dense Medium Cyclone
Magnetite Bin
DM Cyclone Sump & Pump
Double-Deck Reject D&R Screen w/Sieve Bend
Reject Centrifuge
Magnetic Separator
DMC Concrete Medium Sump & Pump
Reject Collecting Conveyor
Belt Filter Press
Tailings Surge & Mixing Tank
Double-Deck Deslining Screen w/Sieve Bend
Plant Feed Conveyor
Breaker Collecting Conveyor
Rotary Breaker
Breaker Reject
18" x 0 ROM Feed
3" x 0
2" x #16
2" x 3/4"
3/4" x #16
3/4" x #30
Source : Coal Preparation Workshop, May 2012, Lexington, Ky., with Additions from John T. Boyd Company.



When compared to Oaktown Complex CPP's historical operation, the plant feed and clean coal production forecasts for the forward five-year period fall within the current plant's operating capacities. Annual plant feed and clean coal production tonnages over the balance of the LOM are within the capacities of the Oaktown Complex CPP.

8.4 Conclusion

Based on our review of historical processing data and forecasts of future production, it is BOYD's opinion that the present processing methods found at Oaktown Complex CPP will be sufficient for future processing of coals at Oaktown Mining Complex.

9.0 MINE INFRASTRUCTURE

9.1 Mine Surface Facilities

Operations at each of the two Oaktown Mining Complex underground mines are supported by multiple surface facilities located within the areal proximity of the mines' reserve boundary. Major surface infrastructure elements include: engineering and business offices, personnel bathhouses, parking areas, supply yards, warehouse buildings, ventilation fan structures, ventilation air shafts, high voltage power distribution stations, and primary underground access points, including slope tunnels (for transporting supplies underground/conveying ROM coal to the surface) and mine portals (shafts for transporting employees/supplies underground). Figure 3.1 provides a general location map highlighting the layout of the two Oaktown Mining Complex underground mines and the surface location of their primary deep mine access points. Each of the Oaktown Mining Complex underground R&P mines maintain their own separate surface facilities. In terms of industry standards, the Oaktown Mining Complex operations' surface infrastructure is comparable to facilities typically found within the ILB mining region.

The current surface facilities located at each of the mines are well constructed and have the necessary capacity/capabilities to support the Oaktown Mining Complex's near-term mining plans. Longer term, as the individual mines progress beyond their near-term mine plans and the location of future mining activities is centered outside the physical and/or operationally efficient limitations of the existing infrastructure, additional surface facilities of comparable design may be required to support continued mining (refer to Chapter 11 for a discussion regarding Sunrise's expectations for future capital expenditures).

Given Sunrise's demonstrated ability to steadily construct its expanding surface facility infrastructure in a timely fashion (relative to underground mine production), the need for continued surface facilities at the mines of Oaktown Mining Complex is not seen as a hindrance for the execution of the LOM plans.

All ROM output from the Oaktown Mining Complex mines is processed in the Oaktown Complex CPP, which is discussed in Chapter 8.

9.2 Oaktown Complex Refuse Facility

The Oaktown Complex refuse facility serves as the disposal location for all waste rock (coarse coal refuse) and a portion of fine coal slurry (fine coal refuse) produced during the processing of ROM coal from the two Oaktown Mining Complex underground R&P mines. The majority of the fine coal slurry is transported overland via a network of pumps and pipelines for underground disposal within mined-out void areas. The current Oaktown Complex refuse facility encompasses more than 320 permitted acres located adjacent to the Oaktown Complex CPP and across the Oaktown Mining Complex surface (i.e., to facilitate slurry injection).

The Oaktown Complex refuse facility includes one main disposal area for coarse coal refuse and surface fine coal refuse disposal. In addition to the one main disposal area, multiple underground slurry injection locations are located across the Oaktown Mining Complex to utilize void space within mined out areas of the Oaktown Fuels No. 1 and No. 2 Mines. Table 9.1 details the capacity of the Coal Refuse Disposal Area (CRDA) sites servicing the Oaktown Mining Complex operations.

Table 9.1: CRDA Capacity

Refuse Disposal Type	Remaining Capacity (000 CY)
Coarse Coal Refuse	13,641
Fine Coal Refuse	12,345

Note: Fine and Coarse Coal Refuse capacities as of September 2021. Numbers do not reflect fine coal refuse disposal space within the current Impoundment Stage 5 or future Stage 7.

According to forecasted LOM coal refuse disposal requirements, currently permitted refuse areas can accommodate coarse disposal through approximately 2031 and fine coal refuse disposal through 2025.

Sunrise representatives indicated that the fine refuse disposal plan post-2025 and coarse refuse disposal plan post-2031 will be based on proven practices and approaches. Sunrise has historically demonstrated the ability to operate the refuse facility and injection sites in a prudent manner, obtain associated permits, and to execute construction of disposal areas (injection sites) in a timely fashion. It is BOYD’s opinion that Sunrise’s staged injection disposal through 2025 will meet the practices demonstrated by other industry peers.

At this time, lack of a properly staged and detailed fine coal refuse disposal plan post-2025 and coarse refuse disposal plan post-2031 is not seen as a major hindrance to Oaktown Mining Complex meeting the LOM plan**s.**

10.0 MARKET ANALYSIS

10.1 Indiana Coal Industry Background

The following section provides a brief description of the Indiana coal mining industry.

10.1.1 Coal Reserves

The coalfield of Indiana covers an area of 6,500 square miles in the southwestern portion of the state forming the east-central portion of the ILB. The configuration of the coal-bearing area in Indiana is roughly triangular in shape, with a maximum east-west width of approximately 80 miles along the Ohio River and extending approximately 200 miles to the north to Benton County. The state's coal-bearing strata dip in a southwesterly direction at about 30 ft per mile toward the center of the ILB in southeastern Illinois.

According to the Indiana Geological Survey, Indiana's total coal geological resources are approximately 57 billion tons, of which 17 billion tons is recoverable using current technology. A distribution by mining method suggests 88% of the state's mineable resources (15 billion tons) are recoverable by underground mining techniques with the balance recoverable by surface mining. Based on current production rates, Indiana's 17 billion tons of available mineable coal resources could last more than 500 years. Twenty counties within, or partly within, the Indiana coalfield have significant coal resources. As seen in Table 10.1, coal production within the state has been primarily centered within Sullivan, Knox, and Gibson counties over the past five years:

Table 10.1: Historical Indiana Production by County (Tons 000)

County	2016	2017	2018	2019	2020	Through Q3 2021
Sullivan	7,287.1	7,271.2	7,290.5	8,302.3	5,322.3	4,389.9
Knox	5,899.9	6,231.3	6,938.5	6,464.4	5,243.0	4,215.0
Gibson	8,192.3	10,115.5	11,985.7	10,210.7	4,469.1	3,521.8
Warrick	3,771.3	4,236.9	4,512.1	2,774.4	2,313.9	1,843.4
Daviess	1,112.8	1,371.7	2,189.2	2,063.1	2,101.2	48.6
Clay	334.7	381.1	265.8	272.0	253.0	108.7
Pike	852.1	223.2	-	363.5	118.4	10.2
Dubois	1,301.5	1,477.4	1,542.7	1,169.1	111.4	7.7
Spencer	-	-	-	-	10.1	-
Greene	14.9	-	-	-	-	-
Ohio	212.4	-	-	-	-	-
Vigo	-	-	-	-	-	-
Total	28,979.1	31,308.2	34,724.5	31,619.5	19,942.4	14,145.3

Source: MSHA

Currently, the Indiana V (Springfield) and VII (Danville) are the Indiana coal seams most extensively mined, although limited mining is also conducted in the Colchester and Survant seams. The Indiana VI (Herrin), which is one of the predominant economically mineable seams of the ILB, has limited presence within Indiana.

10.1.2 Coal Quality

Coal produced in Indiana is typically a medium to high volatile (25% to 30+%) bituminous rank coal with medium to high thermal content (i.e., ranges from approximately 11,000 to 11,500 Btu/lb) and relatively high sulfur content. The primary market for Indiana coal is the in-state coal-fired utility market. The following lists the average Indiana coal quality for coal shipped to domestic coal-fired generating plants that burned Indiana coal in 2020 (i.e., U.S. Energy Information Administration [EIA] coal delivery data):

Table 10.2: 2020 Quality Specifications for Indiana Coal Shipped to Domestic Utilities

	Btu/lb	Sulfur (%)	Ash (%)
Wt. Avg	11,302	2.84	8.9
Min	10,760	0.87	5.0
Max	12,020	5.20	13.5

Source: EIA Form 923

Relative to chlorine content, Indiana coals are generally advantaged by relatively low levels of chlorine across the mining region. A summary of Indiana coal quality, including available chlorine content data derived from studies completed by the US Geological Survey and other sources, are summarized below:

Table 10.3: Indiana Coal Quality by County of Origin

County	Btu/lb	Sulfur (%)	Ash (%)	Cl (%)
Clay	10,855	0.75	9.0	0.025
Daviess	11,712	2.82	7.1	0.020
Gibson	11,395	2.64	8.0	0.031
Dubois	11,101	3.05	10.3	0.036
Knox	11,525	3.12	8.2	0.037
Pike	11,203	2.88	8.6	0.020
Spencer	10,544	1.65	9.2	na
Sullivan	11,134	2.80	9.2	0.032
Warrick	11,274	3.49	9.0	0.023

By comparison, the chlorine content of the Illinois No. 5 (Springfield) and No. 6 (Herrin) coal seams, which are the two seams mined extensively throughout Illinois, typically ranges from 0.1% to 0.6%. Coals having chlorine content above 0.3% is found to cause damaging boiler corrosion, a fact that negatively impacts the marketability of high-chlorine coal produced in Illinois.

10.1.3 Transportation

ILB coal producers are supported by a multi-modal transportation infrastructure system capable of moving coal to end users by truck, rail, and barge (operating alone and/or in combination). Class I railroads operating in the region include the Union Pacific, CSX, NS, and the Canadian National. The ILB is also supported by several regional short-line railways. In many instances, due to geographic location of the mine in relation to the end-user or river loading facility, rail delivery must be conducted via multi-line movements. Any coal movement could involve multiple rail-line hauls, third-party controlled river loading facilities, short rail haul distances or long truck haul distances.

Multiple transportation carriers and multiple transportation modes can have a significant influence on overall delivered costs. Situations can arise where two mines can be in fairly close proximity with one another, but one has a decided transportation advantage based on its access to a particular rail service provider.

Several coal producers in the basin have direct or indirect access to the inland waterway system providing river borne transportation options on the Green, Ohio, and/or Mississippi rivers. Mines located in western Kentucky are generally better suited to direct river loading than those in Indiana and Illinois.

The Indiana coal fields are crossed by numerous roads and railroads. Feeder lines from Class 1 railroads support numerous loadout facilities found in the State’s coal-producing counties. In addition, a well-developed network of federal and state highways cross the coal-producing region (as well as a supporting system of secondary all weather roads) and provide adequate truck hauling capacity.

10.1.4 Production Evolution

The following table illustrates the progression of Indiana's coal producers and their associated mines operating over the period 2016 to Q3 2021:

Table 10.4: Historical Indiana Coal Production and Mine Count

		2016	2017	2018	2019	2020	2021 through Q3
ARLP	Tons (000)	3,943	5,956	7,878	7,052	2,191	2,353
	No. Mines	2	2	3	3	2	3
Blackhawk/Triad Mining	Tons (000)	791	2	-	-	-	-
	No. Mines	5	5	-	-	-	-
Peabody Energy	Tons (000)	14,130	14,106	13,553	12,383	9,300	7,402
	No. Mines	5	4	4	4	4	4
Sun Energy Group	Tons (000)	76	118	156	117	12	-
	No. Mines	1	1	1	2	2	-
Sunrise Coal	Tons (000)	6,113	6,612	7,609	8,221	5,636	4,324
	No. Mines	4	4	4	4	4	3
United Minerals Co.	Tons (000)	218	301	184	-	-	-
	No. Mines	2	2	2	-	-	-
White Stallion Energy	Tons (000)	3,480	4,134	4,925	3,659	2,329	66
	No. Mines	5	5	5	5	5	5
Other	Tons (000)	227	80	419	187	475	-
	No. Mines	3	3	2	2	3	-
Total	Tons (000)	28,979	31,308	34,725	31,620	19,942	14,145
	No. Mines	27	26	21	20	20	15

Source: MSHA

In 2016, Indiana's coal industry produced approximately 29 million tons from 27 mines. By 2020, the number of operating mines decreased by 26% (to 20) while coal production from the State declined by 31% (to 20 million tons). The modest production rationalization that ensued over the fived-year period was primarily driven by the closure of less productive, marginal operations. During this period, only Peabody Energy, Sunrise, and Alliance Resource maintained relatively consistent operations in the Indiana coalfields.

10.1.5 Mining Methodology

Indiana coal operators utilize traditional surface and underground mining technology to produce nearly 20 million tons annually. Surface mines primarily employ truck/shovel operations and draglines (at select mines); underground mines typically utilize continuous miners in R&P and/or super-section applications. There are no LW operations in Indiana. Historical state coal production by mining method is shown in Figure 10.1:

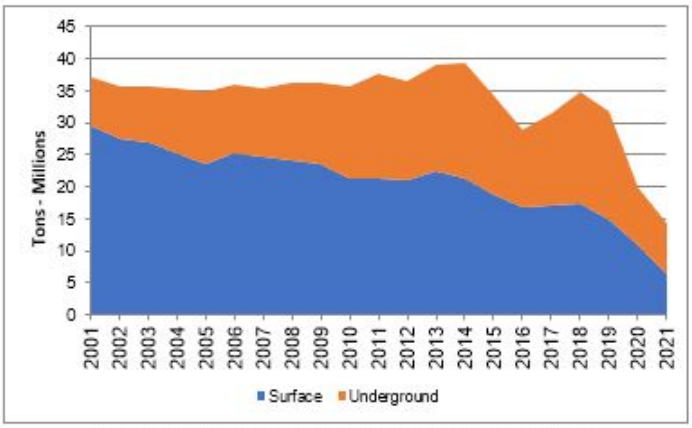


Figure 10.1: Indiana Coal Production by Mining Method

In 2001, Indiana coal output totaled 37 million tons. In that year, approximately 80% (29.4 million tons) was produced from surface operations. Due to the depletion of mineable reserves with economic stripping ratios, as well as the encroachment of urban and farm development over time, coal mining in Indiana has gradually shifted towards underground operations. In 2020, of the 19.9 million tons produced, approximately 54% (10.8 million tons) was attributed to surface mines.

10.1.6 Coal Demand by Market

Historically, coal produced from mines in Indiana has been used primarily for electric power generation with the balance directed into the industrial coal market (including process heat, steam, and space heating). A major portion of the Indiana coal industry is located on or near major Class 1 railroads, enabling coal suppliers to service the regional markets and/or some out of state customers. In 2020, Indiana coal mines supplied approximately 19.9 million tons into the general coal market. Of the total Indiana coal sales, approximately 19.1 million tons (or 96%) went to electric generators, with the remaining balance shipped to industrial customers (e.g., cement and sugar plants). The distribution of Indiana coal shipments by market sector for the past five years is shown in the following table:

Table 10.5 : Distribution of Indiana Coal Shipments by Market Sector

	2016		2017		2018		2019		2020	
Market Segment	Tons (000)	%	Tons (000)	%	Tons (000)	%	Tons (000)	%	Tons (000)	%
Domestic Coke Plants	19	0.1	-	-	-	-	-	-	-	-
Electric Power Sector	28,321	95.9	28,331	92.8	28,290	85.9	26,024	90.1	19,133	95.1
Industrial Plants *	956	3.2	753	2.5	728	2.2	668	2.3	670	3.3
Commercial	53	0.2	43	0.1	50	0.2	52	0.2	35	0.2
Export Market	172.00	0.6	1,400	4.6	3,860	11.7	2,147	7.4	285	1.4
Total	29,521	100.0	30,527	100.0	32,928	100.0	28,891	100.0	20,123	100.0

* Excluding coke.
Source: EIA

In the past five years, Indiana coal had a limited presence in the international export markets. The majority of Indiana produced thermal coal is shipped to electricity generating plants in Indiana. Table 10.6 details historical Indiana thermal coal shipments by state and generating station:

Table 10.6 : Historical Indiana Coal Deliveries to Utility Market by Destination State (Tons 000)

	2017		2018		2019		2020		2021 (Jan-Oct)	
Plant State	Tons (000)	No. of Plants	Tons (000)	No. of Plants	Tons (000)	No. of Plants	Tons (000)	No. of Plants	Tons (000)	No. of Plants
Indiana	21,183	10	20,981	9	19,006	10	15,619	9	11,947	8
Kentucky	2,174	8	2,119	8	1,462	6	965	3	939	2
Florida	1,851	5	1,183	3	1,246	3	984	3	1,180	3
Ohio	1,706	2	1,399	2	763	2	-	-	-	-
Alabama	303	2	467	2	447	2	-	-	-	-
Tennesse	667	2	746	2	998	3	389	2	197	2
Georgia	24	2	354	2	1,153	2	509	1	208	1
Illinois	1	1	1	1	1	1	1	1	165	1
Michigan	-	-	53	1	107	1	106	1	53	1
N Carolina	412	3	885	1	829	2	560	1	341	1
New York	11	1	-	-	-	-	-	-	-	-
S Carolina	-	-	104	1	13	1	-	-	-	-
Total	28,332	36	28,291	32	26,025	33	19,133	21	15,030	19
Percentage of Utility Deliveries by State										
Indiana	74.8		74.2		73.0		81.6		79.5	
Kentucky	7.7		7.5		5.6		5.0		6.2	
Florida	6.5		4.2		4.8		5.1		7.9	
Ohio	6.0		4.9		2.9		-		-	
Others	5.0		9.2		13.6		8.2		6.4	
Total	100.0		100.0		100.0		100.0		100.0	

Source: EIA Form 923

In 2020, Indiana thermal coal directed into the domestic US utility market totaled 19.1 million tons. Of this amount, generating plants operating in Indiana consumed 15.6 million tons or approximately 82% of Indiana's total thermal coal deliveries.

10.2 Sunrise Coal

10.2.1 Product Specification

Sunrise's primary product from their main mining operations is a thermal coal that is directed into the US generation market. Indicative quality specifications for Sunrise by mine are shown in Table 10.7:

Table 10.7: Indicative Thermal Coal Quality

	Oaktown Mine 1	Oaktown Mine 2	Ace in the Hole
Lbs SO2	6.0	5.6	2.0
Sulfur %	3.5	3.2	1.1
Heating Value Btu/lb	11,500	11,600	11,100

Source: Hallador Energy Company 2020 10-K

The thermal coal produced by Sunrise is currently used by electricity generators and some domestic industrial customers.

10.2.2 Primary Markets

Sales into the domestic thermal coal market is Sunrise's primary focus, accounting for over 97% of the company's annual coal production tonnage over the past five years. A summary of Sunrise's 2016–2020 deliveries by state is summarized in Table 10.8 below:

Table 10.8: Sunrise Coal Deliveries to Utility Market by Destination State (Tons 000)

	2016		2017		2018		2019		2020	
Plant State	Tons (000)	No. of Plants	Tons (000)	No. of Plants	Tons (000)	No. of Plants	Tons (000)	No. of Plants	Tons (000)	No. of Plants
Indiana	5,266	8	4,207	8	5,206	9	5,547	8	4,184	6
Kentucky	56	1	500	1	302	1	183	2	-	-
Florida	1,248	2	1,848	4	1,081	2	1,158	1	891	2
Alabama	-	-	-	-	162	1	-	-	-	-
Tennesse	-	-	-	-	12	1	198	1	47	1
Georgia	-	-	-	-	65	1	611	1	493	1
N Carolina	-	-	-	-	409	1	335	2	103	1
S Carolina	-	-	-	-	104	1	13	1	-	-
Total	6,570	11	6,555	13	7,341	17	8,045	16	5,718	11
Percentage of Utility Deliveries by State										
Indiana	80.2		64.2		70.9		68.9		73.2	
Florida	19.0		28.2		14.7		14.4		15.6	
Georgia	-		-		0.9		7.6		8.6	
Kentucky	0.9		7.6		4.1		2.3		-	
N Carolina	-		-		5.6		4.2		1.8	
Others	-		-		3.8		2.6		0.8	
Total	100.0		100.0		100.0		100.0		100.0	

Source: EIA Form 923 and company records

During this period, the primary markets for Sunrise have been Indiana and Florida.

10.3 Market Outlook

While its impacts are expected to ease over the next three to nine months, the magnitude of the COVID-19 pandemic is now expected to result in the largest economic contraction since World War II. At the time of this writing, progress towards sustained economic recovery remained unclear as the rollout of vaccines begins to take hold. While the economic downturn has been primarily concentrated in the service industries (mainly travel, hospitality, and retail), the steel-intensive manufacturing segment has gained some momentum, with conditions improving initially in China followed by a gradual improvement in the United States.

It is anticipated that the US Federal Reserve will continue to keep the supply of money high, provide credit/relief packages as required, and cut interest rates in order to support the economy. Additionally, government-sponsored infrastructure projects will be pushed forward to offset the likely continued weakness in the service sector industries. If realized, increased economic activity will provide a needed boost to the electricity generation and electricity-generating fuels, including thermal coal.

Following the effects of the global pandemic witnessed during 2021, US GDP growth is expected to stage a modest recovery during 2022 and regain typical levels. On the strength of this projection (and barring the re-implementation of sustained, stringent containment measures and/or renewed significant virus outbreaks), BOYD anticipates the demand for thermal coal to slowly recover to pre-pandemic levels by the 2023-2024 period.

10.4 Future Sales

Coal use among domestic power generators has fallen out of favor in the United States and is systematically being replaced by natural gas and renewable forms of generation. In response to this development, domestic thermal markets are expected to weaken over the near term, in line with coal plant retirements and the associated drop in coal demand. Sunrise is expected to align its future sales with these trends, although the regional Indiana market is expected to remain relatively firm over the near term.

11.0 CAPITAL AND OPERATING COSTS

11.1 Introduction

Oaktown Mining Complex's performance relative to productivity, cost control, and production has made it one of the leading underground coal operators within the ILB region. Comprised of two state-of-the-art underground R&P mines, the operation's ability to consistently achieve high annual output at generally low operating costs is attributed to its well-capitalized operations and financial controls.

The following section provides a review of recent historical operating costs and capital expenditures for the Oaktown Mining Complex. A discussion of the outlook for the complex over the five-year period 2022 to 2026, including projected production/sales, operating costs, and capital expenditures, is also provided.

11.2 Historical Operating Costs

The following figure (Figure 11.1) presents Oaktown Mining Complex's historical operating costs and average realizations for the period 2018 through 2021:

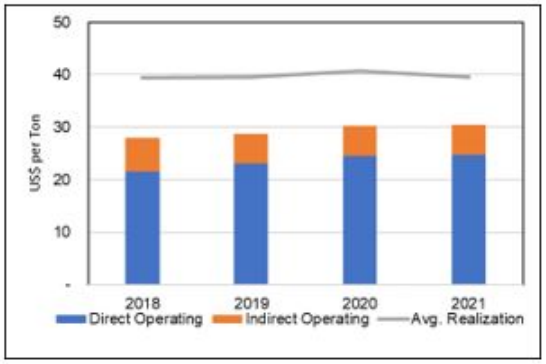


Figure 11.1
Oaktown Mining Complex
Historical Operating Costs and Sales Realizations ($/Ton)
Note: Indirect costs include SG&A, but excludes interest expense and DD&A.

[1] Sunrise provided historical operating cost and capital expenditure data for the period 2018 through 2021.

Over the four-year period:

- Oaktown Mining Complex's average realization was range-bound between $39.00 and $41.00 per ton.
- Cash cost of sales for the complex was approximately $2.50/ton higher in 2021 than 2018.
- In response to weakening market conditions caused by the global pandemic, Sunrise reduced production from Oaktown Mining Complex in 2020 and early 2021. The drop in overall output in 2020 and in early 2021 resulted in an increase to the complex's average unit cost (and declining cash margins) for those years.

Cost performance for the individual mines is portrayed graphically in Figure 11.2.

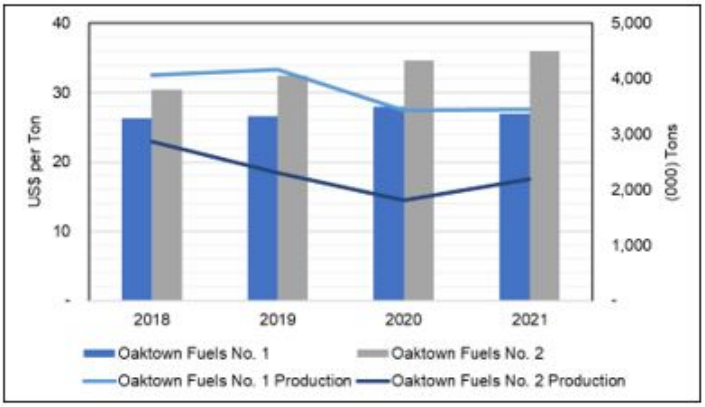


Figure 11.2
Oaktown Mining Complex
Historical Cash Operating Cost and Production by Mine
($/Ton Sold and 000 Tons)

Historically, the Oaktown Fuels No. 1 and No. 2 Mines have had operating costs that compare favorably with other industry producers.

Of the two Oaktown Mining Complex underground R&P mines, Oaktown Fuels No. 1 Mine has demonstrated the lowest operating cost during the 2018 to 2021 time period. This is predominantly attributable to more favorable geologic conditions experienced and increased economies of scale.

11.3 Historical Capital Expenditures

Relative to industry peers, the Oaktown Mining Complex (including supporting centralized preparation facilities) is well capitalized. This reflects Sunrise's ongoing attention to prudent capital upgrade/replacement programs, routine investment in mine infrastructure expansions, and maintenance of production equipment. The amount of capital spent (per individual mine or for the Oaktown Complex CPP) has varied on an annual basis as a percent of Oaktown Mining Complex's total expenditures, illustrating differing capital requirements and/or operational timelines for each operation. Despite the capital spending variations, Oaktown Mining Complex's aggregate capital expenditure level (on a dollar per clean ton basis) was relatively consistent and within the range of $3.00 to $4.00 per clean ton.

11.4 Oaktown Mining Complex Future Mine Plan

BOYD developed mine plans for the Oaktown Mining Complex based on engineered mine layouts which were designed for optimum reserve recovery, using efficient mining methods and practices. Sunrise's historical and generally accepted industry operating performance parameters and mining rates were applied to the mine plan to develop coal production and mining schedules. Financial budgets were then prepared (based on mine plan outputs and labor requirements), resulting in operating cost projections (based on constant 2022 dollars). The individual mining plans recognize the impact of variations in physical mining conditions, mechanical failures, and operational activities that can temporarily disrupt production activities. The mine plans for Oaktown Mining Complex are reasonable and achievable, provided no major abnormalities are encountered.

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[1] Economies of scale are of fundamental importance; a mine that has a productive year versus its budgeted plan can expect to have low unit costs while surpassing projected margins. Alternatively, a R&P mine that achieves poor production levels would see a proportional reduction in revenue, but this would not be accompanied by a corresponding reduction in total costs. Such a mine would instead see high unit costs, and most of the revenue loss would flow through to the bottom line.

[1] The mining plans for R&P operations are relatively simple and highly flexible when compared to LW mines. The entire foundation of the mining plan is based upon locating mains and sub-mains in areas of the deposit where coal quality and mining conditions are most suitable. Panels are then developed out to a desired length or until adverse mining conditions (or poor coal quality) warrant the cessation of development. This results in the opportunity to alter the mining plan so as to avoid specific areas with adverse mining conditions (such as thin coal, poor roof, etc.) or poor coal quality (such as high sulfur, etc.).

Forecasting performance based on the continuation of consistent mining conditions, excluding impacts from unforeseen events, increases the risk of underperformance versus the mine plan. BOYD's approach does not directly account for situations that can occur in underground coal mining, such as fire, water inundations, geological anomalies, etc. However, risk mitigation has been reflected in the production schedules through the use of multiple CM sections operating in various locations throughout the mine reserve. The geographical distribution of mining sections throughout the area of the mine plan mitigates the likelihood that all CM sections will experience adverse mining conditions at a given time. Each CM section also utilizes production contingency factors, which are incorporated into the mining forecast.

BOYD reviewed historical Sunrise mining plans (including development strategy, production and productivity, capital expenditures, and total cash costs) and concluded: (1) the Sunrise pro-forma plans are reasonable and achievable and align with BOYD's independent LOM plans, (2) Sunrise's market view that coal markets will rebound from the COVID-19 pandemic influences experienced during 2020/21 is reasonable, and (3) Oaktown Mining Complex is well-positioned to achieve the conceptual LOM plan as projected by BOYD provided no major abnormalities are encountered: within the coal market, or at the mine level.

The Sunrise forecasted financial performance aligns with what BOYD would anticipate for an established underground R&P coal facility operating in the ILB region. BOYD developed an independent LOM projection for operating and capital costs which aligns with general industry standards and the Sunrise forecasted figures. BOYD believes the extended LOM projection of operating and capital costs to be accurate to within ±25% of the operating and capital costs of other similarly capitalized mining complexes operating in the ILB region. We did not assign a contingency budget to the extended mine life projection estimates.

11.4.1 Forecasted Production and Sales

BOYD's LOM plans reflect a return to increased sales tonnage from Oaktown Mining Complex as coal prices recover post-COVID-19 pandemic. BOYD's forecast reflects a stable revenue stream, driven by Sunrise's view that their Indiana V Seam reserves and Oaktown Mining Complex are in a strong competitive position to take advantage of improved coal pricing and demand as domestic and international markets recover from

the COVID-19 pandemic. The Oaktown Mining Complex forecast of tons produced, average realizations and revenue from coal sales are summarized in Figure 11.3.

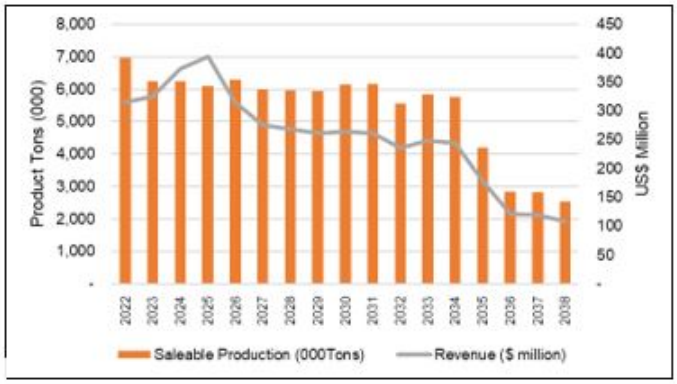

Figure 11.3
Oaktown Mining Complex
Projected Saleable Production and Revenue

Oaktown Mining Complex's future production over the forecast period is projected to remain within current infrastructure capacities and capabilities. This results in a less capital-intensive forward forecast, as capital expenditures are associated with sustaining production rather than new mine development and/or production capacity expansion.

11.4.2 Forecasted Operating Costs

As Sunrise capitalizes on coal markets increasing demands and increases production in 2022, operating costs for Oaktown Mining Complex are projected to be more favorable versus those witnessed during the COVID-19 pandemic. This is primarily a result of reduced direct operating costs associated with Sunrise's current strategic plan that sees

Oaktown Mining Complex producing between 6 to 7 million product tons per annum. Operating costs per ton sold for the LOM are as shown:

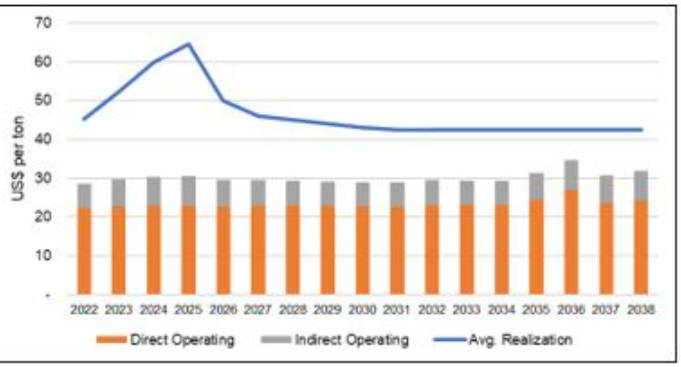

Figure 11.4
Oaktown Mining Complex
Projected Operating Costs and Sales Realizations ($/Ton)

Note: Indirect costs include SG&A, but exclude interest expenses and DD&A.

From 2022 to 2025, the average realization is projected to climb, before returning to levels representative of historical averages. Average cash margins are projected to range between $10 and $20/ton during the majority of operating years.

11.4.3 Forecasted Capital Expenditures

Oaktown Mining Complex is expected to maintain a consistent level of capital expenditures over the LOM period, with spending focused on mine infrastructure expansion, maintenance of production equipment (new equipment purchases and/or rebuilds), and refuse placement (injection) expansions. For capital budgeting purposes, BOYD assumed a nominal dollar per clean ton to assign based upon our experience with other ILB underground R&P operations. Over the 2022 to 2031 time period, annual capital expenses will be focused on maintenance of production and is expected to average $4.00 per ton of clean coal. Over the final seven years of the Complex's operation, the level capital spent is projected to decline to an average of $3.52 per clean ton produced.

Total capital expenditure for Oaktown Mining Complex appears to be logical and consistent with Sunrise's typical level of capitalization and maintaining of state-of-the-art R&P underground mines and associated processing facilities and are reasonably aligned with extended LOM plans.

12.0 ECONOMIC ANALYSIS

12.1 Introduction

The following provides BOYD's indicative economic analysis of the Oaktown Mining Complex over the life of the operation. For the purposes of this analysis, BOYD reviewed Sunrise's December 2020 five-year pro-forma financials that support the operation of Oaktown Mining Complex from January 2021 through end-of-year 2025. The projected financials are supported by historical performance of the Oaktown Fuels No. 1 and No. 2 Mines. BOYD compared Sunrise's five-year pro-forma financials to our independently developed conceptual LOM plan and corresponding financial models. Based on our review, it is BOYD's opinion that the Sunrise pro-forma financials: (1) align with BOYD's LOM plans, and (2) are reasonable and achievable over the five-year period relative to Sunrise's past mining practices and performances. BOYD's LOM plans extends to the expected completion of mining at Oaktown Mining Complex in 2038 (i.e., LOM plan of 17 years). Refer to Chapter 7 for details regarding Sunrise's LOM production forecast.

To develop an economic analysis that incorporates the life of the project (i.e., the 2022 through 2038 time-period), BOYD reviewed key underlying production/financial assumptions and parameters from Sunrise's December 2020 five-year mine plan, historical financials, and supporting documents. These factors were utilized and/or modified as needed to develop an estimate of the revenue, cost, and capital expenditures associated with Sunrise's Oaktown Mining Complex LOM production/development plan, as well as our opinion of Oaktown Mining Complex's expected future performance. Our analysis is performed on a constant dollar and pre-tax basis.

Results of our economic analysis for Oaktown Mining Complex over the17-year period (2022 to 2038), are discussed below. Tables 12.1 through 12.4, provided following this page, highlight key operating and production metrics, projected cash operating costs, future capital expenditures and a discounted cash flow-net present value (DCF-NPV) analysis for the complex.

TABLE 12.1

OPERATING AND PRODUCTION METRICS
OAKTOWN MINING COMPLEX
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

Period Year	1 2022	2 2023	3 2024	4 2025	5 2026	6 - 10 2027 - 2031	11 - 17 2032 - 2038	Total/ Average
Direct Mine Employment								
Total Employees	676	676	676	676	676	676	505	605
Total Employee Hours Worked (000 Hours)	1,583,100	1,583,100	1,583,100	1,583,100	1,583,100	7,915,500	8,381,700	24,212,700
Production Schedule								
CM Units	7	7	7	7	7	7	5	6
Machine Shifts	3,650	3,650	3,650	3,650	3,650	3,650	2,721	3,268
ROM Production per Machine Shift (Tons)	2,756	2,423	2,468	2,392	2,448	2,352	2,269	2,361
Average Mining Height (ft.)	6.5	5.4	7.1	5.3	5.5	5.4	5.2	5.6
ROM Tons Produced (000 Tons)	10,060,336	8,842,634	9,008,752	8,731,400	8,933,719	42,915,209	43,120,246	131,612,296
Production Yield (%)	69.2	70.5	69.3	69.8	70.5	70.3	68.5	69.6
Clean Coal Qualities								
Ash (%)	8.4	7.6	7.8	7.6	7.5	7.3	7.9	7.7
Sulfur (%)	3.5	3.4	3.2	3.4	3.4	3.3	3.3	3.4
BTU	11,420	11,548	11,511	11,540	11,546	11,586	11,501	11,532
SO2 (lbs/MMBtu)	6.2	5.9	5.5	5.8	5.9	5.8	5.8	5.8
Clean Tons Produced (000 Tons)	6,964,659	6,233,793	6,246,966	6,094,132	6,297,772	30,174,228	29,547,769	91,559,318
Productivity (Avg. Tons per Man Hour Worked)	4.4	3.9	3.9	3.8	4.0	3.8	3.5	3.8

Note: The annual operating and production metrics include both currently controlled and uncontrolled mineral reserves.

TABLE 12.2

DISCOUNTED CASH FLOW - NET PRESENT VALUE ANALYSIS
OAKTOWN MINING COMPLEX
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

Period	1	2	3	4	5	6 - 10	11 - 17	Total/
Year	2022	2023	2024	2025	2026	2027 - 2031	2032 - 2038	Average
Saleable Production (000 Tons)	6,965	6,234	6,247	6,094	6,298	30,174	29,548	91,559
Coal Sales Markets (000 Tons)	6,965	6,234	6,247	6,094	6,298	30,174	29,548	91,559
Realization ($/Ton FOB CPP)	42.71	52.24	59.75	64.63	50.00	44.08	42.50	46.87
Revenue ($000)	297,495	325,674	373,244	393,891	314,889	1,330,225	1,255,780	4,291,198
Cash Operating Costs ($000)								
Direct	154,507	141,421	142,274	138,692	142,636	685,675	702,457	2,107,661
Indirect	35,313	34,838	37,763	38,447	34,324	152,670	156,705	490,059
G&A	9,698	8,855	8,872	8,685	8,930	43,057	43,956	132,053
Total - Operating Expenses	199,518	185,114	188,909	185,823	185,890	881,402	903,118	2,729,774
Total - Operating Expenses per ton sold	28.65	29.70	30.24	30.49	29.52	29.21	30.56	29.81
Gross Pre-Tax Cash Flow ($000)	97,977	140,560	184,334	208,067	128,999	448,823	352,663	1,561,423
Capital Expenditures ($000)	27,859	24,935	24,988	24,377	25,191	120,697	103,966	352,012
Net Pre-Tax Cash Flow	70,118	115,625	159,346	183,690	103,808	328,126	248,698	1,209,411
DCF - NPV Analysis								
Discounted Net Pre-Tax Cash Flow at 12%	66,255	97,549	120,032	123,544	62,338	144,130	59,683	673,531
Cumulative DCF-NPV	66,255	163,805	283,837	407,381	469,719	613,849	673,532	673,532

Note: The annual production forecast is inclusive of both currently controlled and uncontrolled mineral reserves.

TABLE 12.3

CASH OPERATING COST FORECAST
OAKTOWN MINING COMPLEX
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

Period	1	2	3	4	5	6 - 10	11 - 17	
Year	2022	2023	2024	2025	2026	2027 - 2031	2032 - 2038	Total
Clean tons Produced (000)	6,965	6,234	6,247	6,094	6,298	30,174	29,548	91,559
Direct Labor ($000)								
Labor (incl. Payroll Taxes and Works Comp.)	57,579	51,718	51,842	50,501	52,244	249,854	246,880	760,616
Retirement Benefits/401k	23,031	20,687	20,737	20,200	20,898	99,942	98,752	304,246
Subtotal - Labor	80,610	72,405	72,578	70,701	73,142	349,795	345,632	1,064,863
Direct Operating ($000)								
Operating Supplies	33,601	30,605	31,240	30,000	30,910	146,861	157,511	460,729
Maintenance	24,188	23,199	23,226	22,956	23,293	114,229	125,797	356,888
Utilities	13,030	12,445	12,456	12,334	12,497	61,431	60,285	184,478
Other Operating Costs	3,077	2,767	2,773	2,701	2,795	13,359	13,232	40,703
Subtotal - Operating	73,897	69,016	69,696	67,991	69,494	335,880	356,825	1,042,799
Indirect Operating ($000)								
Insurance, Real Estate Tax, Penalties	1,100	1,100	1,100	1,100	1,100	5,500	6,135	17,135
Royalties	18,924	19,540	22,395	23,633	18,893	79,814	75,347	258,547
Preparation, Surface, and Coal Handling	14,522	13,449	13,514	13,002	13,576	63,900	68,084	200,048
Reclamation/Mine Closure	-	-	-	-	-	-	3,000	3,000
Other Costs	767	748	754	711	754	3,456	4,139	11,330
Selling and General Administrative Expense	9,698	8,855	8,872	8,685	8,930	43,057	43,956	132,053
Subtotal - Indirect Operating (ex. DD&A)	45,011	43,693	46,635	47,132	43,254	195,726	200,661	622,112
Total Cash Operating Costs ($000)	199,518	185,114	188,909	185,823	185,890	881,402	903,118	2,729,774

*General Admin & Overhead Costs do not include Interest expense or DD&A
Note: The annual production forecast is inclusive of both currently controlled and uncontrolled mineral reserves.

TABLE 12.4

CAPITAL EXPENDITURE SCHEDULE
OAKTOWN MINING COMPLEX
Prepared For
SUNRISE COAL, LLC
By
John T. Boyd Company
Mining and Geological Consultants
March 2022

Period	1	2	3	4	5	6 - 10	11 - 17	
Year	2022	2023	2024	2025	2026	2027 - 2031	2032 - 2038	Total
Maintenance of Production (MOP) Capital								
Expenditure per Clean ton ($/ton)	4.00	4.00	4.00	4.00	4.00	4.00	3.52	3.84
Clean Tons (000 tons)	6,965	6,234	6,247	6,094	6,298	30,174	29,548	91,559
Subtotal MOP Capital ($000)	27,859	24,935	24,988	24,377	25,191	120,697	103,966	352,012
Total Capital Expenditures	27,859	24,935	24,988	24,377	25,191	120,697	103,966	352,012

Note: The annual production forecast is inclusive of both currently controlled and uncontrolled mineral reserves.

12.2 Pre-Tax Net Present Value Analysis

Results of BOYD's LOM economic analysis, which reflects the DCF-NPV (pre-tax, discounted at 12% on a full year basis) over the life of the project, is shown in the following table. For reporting purposes, the cumulative DCF-NPV is shown for 10-year and 17-year (LOM) periods in Table 12.5:

Table 12.5: Oaktown Mining Complex Cumulative NPV at Select Time Periods (US$ million)

10-Year	17-Year (LOM)
614	674

BOYD's analysis reflects the following:

- BOYD developed independent sequenced LOM plans based on Sunrise's current mine plans. Changes to the Sunrise plan were made by BOYD where warranted based upon professional judgement and industry experience.
- Historical advance/extraction rates were reviewed and utilized in the development of BOYD's conceptual LOM plans.
- Oaktown Fuels No. 1 Mine depletes its assigned reserves in 2036; Oaktown Fuels No. 2 Mine depletes its assigned reserves in 2038. Based on the individual characteristics of each reserve, including: seam thickness, OSD amounts, overall size, optimum mine life, capabilities of mining equipment, expected coal quality, and our view of the potential markets and demand for the thermal grade product, the annual outputs corresponding to the LOM plans are reasonable.
- Direct Operating Costs –BOYD utilized the historical costs along with Sunrise's pro-forma projections as the basis to develop line-by-line projections of cash operating costs at each mine and facility. We considered fixed and variable components within the overall mine plans, historical costs experienced, and operating cost structures of regional mine operators when making these estimates. The primary unit costs included: hourly and salary labor and benefits, mine operating supplies, and equipment maintenance costs. While our individual costs, by line item, differ slightly from the Sunrise internal forecast, there is general alignment between the Sunrise five-year forecast and BOYD's LOM forecast.
- Capital Expenditures – BOYD considers the near-term capital expenditure schedule as presented by Sunrise to be reasonable and representative of the capital necessary to operate the individual Oaktown Mining Complex operations. Most expenditures are associated with infrastructure expansion (air shafts, buildings, belt systems, etc.), maintenance of production equipment (new equipment purchases and/or rebuilds), and other supporting infrastructure. BOYD assumed annual capital expenditures will be consistent with historical and near-term forecasted capital expenditures (ranging between $3.00 and $4.00 per clean ton for Oaktown Mining Complex) to account for sustaining capital.

- Coal Processing – Oaktown Mining Complex has historically processed all of its output through the Oaktown Complex CPP; all future output is expected to be processed through the preparation facility. The processing facility has the required operating capacity to achieve the projected throughputs of the conceptual Oaktown Mining Complex LOM plans. As the Oaktown Fuels No. 1 Mine reserves are depleted, there will be a diminished requirement for throughput capacity. BOYD made corresponding assumptions regarding reductions (removal/closure or diminished maintenance of applicable processing circuits) in plant capacities and corresponding fixed and operating cost reductions. We consider these assumptions to be reasonable and to align with general engineering principles and industry standards.
- Refuse Disposal –Sunrise's current refuse disposal plan indicates adequate staging of fine coal refuse to year 2025 and coarse coal refuse to 2031. In discussions with Sunrise, Oaktown Mining Complex plans to continue the acquisition and permitting of properties for refuse facility expansion and developing void space underground for continued slurry injection (as required). While the refuse disposal plan is not detailed for LOM planning purposes, it is adequate for the purposes of this indicative economic analysis. To project operating and capital expenditures associated with future refuse disposal, BOYD utilized historic data as a base average which then fluctuates with projected refuse volumes.
- In-Direct Mining Costs – Unit Costs for historical In-Direct Line Items such as royalties, taxes, penalty fees and fines, insurance, real estate taxes, selling and general administration expenses, and miscellaneous expenses, were provided by Sunrise. BOYD utilized average amounts as provided by Sunrise in their historical financials and extrapolated them forward in our forecast on a per ton basis. Adjustments were made to account for fixed costs associated with operational production capacities in years of lower-than-average production outputs.
- Revenue for the washed thermal product is based on BOYD's Oaktown Complex free-on-board (FOB) CPP price ten-year forecast, which BOYD extended over the remainder of the LOM plan. Additional costs beyond the CPP for transportation, loading, and unloading at railroads, and/or river terminals, are assumed to be incurred by the customer (or added as a pass-through to FOB, mine prices).
- BOYD has applied a portion of the estimated closure costs for the underground mines within the LOM forecast period as mine reserves are depleted. While we acknowledge that most often these costs are accrued over the life of a mine/project, we have shown a portion of estimated mine closure costs as a lump sum operating cost during the last year of the project during the cash flow periods when mineable reserves have been exhausted. We deem this as a conservative approach to enhance the likelihood that adequate funds for mine site closure and reclamation have been accounted for in the economic reserve analysis.

Estimated cash flow and DCF-NPV analysis for Oaktown Mining Complex is presented in Table 12.6. In addition to the assumed base coal pricing, BOYD also ran sensitivities with upside (+10%) and downside (-10%) pricing scenarios. Table 12.6 provides a comparison of 10-year and 17-year (LOM) NPVs at different discount factors and pricing scenarios:

Table 12.6: NPV Sensitivity Analysis

	Pre-Tax DCF NPV ($ million) by Discount Factor			
Timeframe/Scenario	10%	12%	15%	18%
10-Year				
Optimistic (+10%)	844	789	718	657
Base	656	614	559	512
Pessimistic (-10%)	468	439	400	367
17-Year (LOM)				
Optimistic (+10%)	955	878	781	703
Base	730	674	602	543
Pessimistic (-10%)	508	471	424	384

In both the upside and downside sensitivity cases, no adjustments were made to BOYD's base operating scenario. While BOYD realizes that Sunrise would likely execute short-term fluctuations in production levels to minimize the impact corresponding to a period of low coal pricing and/or maximize the opportunity of high coal pricing, such adjustment are likely to be immaterial in the overall assessment of the reserves' economic mineability over the LOM plans.

13.0 PERMITTING AND COMPLIANCE

13.1 Regulatory Environment

Compared to other US coal states, the business environment within Indiana is relatively positive towards its coal industry. This positive environment is due in part to the open and professional relationship between entities within Indiana's state government and Indiana's coal producers. The Indiana Department of Natural Resources' Division of Reclamation (DOR) is responsible for oversight of active coal mining and restoration of land disturbed for coal extraction. This agency gained primacy in 1982 and began to administer the state's mining law, which incorporates federal Surface Mining Control and Reclamation Act requirements. The federal Office of Surface Mining, Reclamation and Enforcement (OSMRE) oversees the DOR administration of the approved regulatory program. OSMRE inspectors, who work with the DOR to resolve any issues, make periodic mine inspections. In general, the DOR's reputation is relatively favorable among the State's coal producers.

Due to the State's large agricultural industry, Indiana has strict soil management programs which coal miners must comply with to maintain proper mining permits. Historically, Indiana's miners and farmers have successfully co-existed and have had little to no disagreement relative to the encumbering of prime farmland due to mining uses.

Similar to other US coal states, as part of a permit application, Indiana coal operators must publish in newspapers in Indiana County where the mine will be located, a notice that they have applied for a mining permit, and the proposed permit is available for public review. This notice must appear once a week for four consecutive weeks. This provides the opportunity for the public to file written comments and/or request an informal conference or a public hearing regarding the pending application. The public may present comments on the proposed permit and provide site-specific information, which the DOR reviews and considers when making a decision about the application.

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[1] The DOR is also responsible for restoring lands mined for coal but abandoned without full or proper reclamation.

[1] The recovery of coal by surface mining methods involves removal of soils and other earth materials (overburden) located above the coal. Current mining regulations require the mining operator to remove the soil (and subsoil in crop capable lands) in a separate operation before removal of the overburden. Mining permits approved by the Indiana Department of Natural Resources discuss actions the mine operator will take to restore the soils to pre-mining yields. Methods mine operators use to restore the capability of the soil include incorporation of soil amendments (lime, fertilizer, organic matter) and deep tillage.

Permit decisions are subject to challenge from any potentially adversely affected party, including a private citizen or the coal mine operator. This must be done by filing a petition for review with the DOR within 30 days of the coal mine operator being notified that the permit was approved or denied. It is BOYD's opinion that the Indiana permitting process is managed in an efficient manner, with permits issued in a judicious fashion.

13.2 Permitting

Numerous permits are required by federal and state law for underground mining, coal preparation and related facilities, and other incidental activities. Sunrise reports that necessary permits to support current operations are in place or pending approval. New permits or permit revisions may be necessary from time to time to facilitate future operations. Given sufficient time and planning, Sunrise should be able to secure new permits, as required, to maintain its planned operations within the context of the current regulations.

Continuously increasing efforts are required to obtain permits for R&P mining and related activities in Indiana and Illinois. The primary contributing factors are the effects on protected surface areas and the ability to permit refuse sites.

Please refer to Section 3.4 for additional information.

13.3 Compliance

Based on our review of information provided by Sunrise and other public information sources, it is BOYD's opinion that Sunrise has a generally typical coal industry record of compliance with applicable mining, water quality, and environmental regulations. BOYD is not aware of any regulatory violation or compliance issue that would materially impact the coal reserve estimate.

13.4 Socio-Economic Impact

BOYD is not aware of any community or stakeholder concerns, impacts, negotiations, or agreements which would materially impact the coal reserve estimate.

14.0 INTERPRETATION AND CONCLUSIONS

14.1 Findings

BOYD's independent technical assessment conducted in accordance with S-K 1300 concludes:

- Sufficient data have been obtained through various exploration and sampling programs and mining operations to support the geological interpretations of seam structure, thickness, and quality for the portions of the Indiana V Seam situated within the bounds of the Oaktown Mining Complex area. The data are of sufficient quantity and reliability to reasonably support the coal resource and coal reserve estimates in this technical report summary.
- Estimates of coal reserves reported herein are reasonably and appropriately supported by technical studies, which consider mining plans, revenue, and operating and capital cost estimates.
- The 71.4 million tons of underground coal reserves identified on the property are economically mineable under reasonable expectations of market prices for thermal coal products, estimated operation costs, and capital expenditures.
- There is no other relevant data or information material to the Oaktown Mining Complex that is necessary to make this technical report summary not misleading.

14.2 Significant Risks and Uncertainties

As a mining operation with a lengthy operating history, the purpose of Sunrise's periodic mine planning exercises is to collect and analyze sufficient data to reduce or eliminate risk in the technical components of the project and to refine economic projections based on current data. There is a high degree of certainty for this project under the current and foreseeable operating environment. A general assessment of risk is presented in the relevant sections of this report.