

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re

PATRIOT COAL CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 12-51502-659

(Jointly Administered)

Objection Deadline:

April 16, 2013 at 4:00 p.m.

(prevailing Central Time)

Hearing Date (if necessary):

April 23, 2013 at 10:00 a.m.

(prevailing Central Time)

Hearing Location:

Courtroom 7 North

**NOTICE AND DEBTORS' MOTION FOR AN ORDER AUTHORIZING THE
MODIFICATION AND TERMINATION OF CERTAIN NON-VESTED BENEFITS FOR
NON-UNION RETIREE BENEFIT PARTICIPANTS
PURSUANT TO 11 U.S.C. §§ 105(a) AND 363(b)**

PLEASE TAKE NOTICE THAT this motion is scheduled for hearing on April 23, 2013, at 10:00 a.m. (prevailing Central Time), in Bankruptcy Courtroom Seventh Floor North, in the Thomas F. Eagleton U.S. Courthouse, 111 South Tenth Street, St. Louis, Missouri, 63102.

WARNING: ANY RESPONSE OR OBJECTION TO THIS MOTION MUST BE FILED WITH THE COURT BY 4:00 P.M. (PREVAILING CENTRAL TIME) ON APRIL 16, 2013. A COPY MUST BE PROMPTLY SERVED UPON THE UNDERSIGNED. FAILURE TO FILE A TIMELY RESPONSE MAY RESULT IN THE COURT GRANTING THE RELIEF REQUESTED PRIOR TO THE HEARING DATE.

¹ The Debtors are the entities listed on Schedule 1 attached hereto. The employer tax identification numbers and addresses for each of the Debtors are set forth in the Debtors' chapter 11 petitions.

**DEBTORS' MOTION FOR AN ORDER AUTHORIZING THE MODIFICATION AND
TERMINATION OF CERTAIN NON-VESTED BENEFITS FOR NON-UNION RETIREE
BENEFIT PARTICIPANTS PURSUANT TO
11 U.S.C. §§ 105(a) AND 363(b)**

Patriot Coal Corporation and its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the “**Debtors**”),² by and through its undersigned counsel, hereby respectfully submit this motion (the “**Motion**”) for an order³ authorizing the Debtors, pursuant to sections 105(a) and 363(b) of title 11 of the United States Code (the “**Bankruptcy Code**”), to (i) modify the Non-Union Retiree Life Insurance Benefits (as defined below) by capping such benefits at \$30,000 for the Non-Union Retirees and terminating such benefits for current active non-union employees and (ii) terminate the Non-Union Retiree Medical Benefits (as defined below), effective as of the date that is sixty (60) days after the date of entry of the Proposed Order.

PRELIMINARY STATEMENT

1. As the Court knows, the Debtors have been working on multiple fronts to stabilize their business, address their unsustainable cost structure and preserve jobs and benefits for thousands of families. To that end, on March 14, 2013, the Debtors filed their *Motion to Reject Collective Bargaining Agreements and to Modify Retiree Benefits Pursuant to 11 U.S.C. §§ 1113, 1114 of the Bankruptcy Code* [ECF Doc. 3214] (the “**1113/1114 Motion**”). The 1113/1114 Motion seeks to achieve approximately \$150 million in annual cost savings that are

² As used herein, the term “Debtors” shall refer to, as applicable, the specific Debtors that are obligors under the Relevant Plan.

³ A proposed order granting the relief requested in the Motion (the “**Proposed Order**”) has been provided to the United States Trustee, counsel to the Official Committee of Non-Union Retirees, counsel to the UCC (as defined below) and counsel to the agents for the Debtors’ postpetition lenders. A copy of the Proposed Order is available at www.patriotcaseinfo.com/orders.php.

necessary for the Debtors to survive. Although the relief sought in the 1113/1114 Motion will result in painful changes for many of the Debtors' unionized employees and retirees, the alternative – the loss of jobs and benefits for everyone – would be catastrophic.

2. While the Debtors are addressing their unionized legacy liabilities (the “**Union Retiree Benefits**”) through continued negotiations with the United Mine Workers of America (the “**UMWA**”) and the 1113/1114 Motion, the Debtors have determined, after careful deliberation, that they must also modify the life insurance benefits they provide (the “**Non-Union Retiree Life Insurance Benefits**”) and terminate substantially all of the retiree medical benefits they provide (the “**Non-Union Retiree Medical Benefits**”, together with the Non-Union Retiree Life Insurance Benefits, the “**Non-Union Retiree Benefits**”, and, together with the Union Retiree Benefits, the “**Retiree Benefits**”) under the Relevant Plans (as defined below).⁴ The Debtors estimate that their consolidated balance sheet liability for the Non-Union Retiree Benefits is approximately \$51.3 million. The Debtors believe that these benefits must be modified and terminated, as applicable, so that the Debtors may realize cost savings that are critical to their survival. Moreover, it is important and appropriate for the burdens associated with the Debtors' reorganization to be shared equitably among the Debtors' stakeholders, and the modification and termination of Non-Union Retiree Benefits is only fair given the sacrifices that the Debtors are demanding from their union employees and retirees and other stakeholders.

3. Unlike the Union Retiree Benefits, the Non-Union Retiree Benefits may be modified or terminated without resort to the section 1114 process.⁵ As discussed below, the Plan

⁴ Consistent with the Debtors' ongoing review of Retiree Benefits and with the Debtors' financial position in these chapter 11 cases, the Debtors may in the future request authority to modify or terminate additional Retiree Benefits upon the filing of a separate motion on notice to parties in interest.

⁵ Generally, under section 1114 of the Bankruptcy Code, among other requirements, *vested* retiree health and welfare benefits may not be modified unless the debtor first bargains with an authorized representative of (...continued)

Documents (as defined below) with respect to the Non-Union Retiree Benefits clearly and unequivocally reserve the Debtors' rights to unilaterally modify or terminate these benefits at any time. Accordingly, the Debtors have a contractual right to modify or terminate these benefits under applicable nonbankruptcy law and section 363 of the Bankruptcy Code, and section 1114(d) is inapplicable here.⁶

4. In further support of this Motion, the Debtors submit the Declaration of Michael Luna, Vice President of Human Resources and Employee Services of Patriot Coal Corporation, filed simultaneously herewith and incorporated by reference herein (the "**Luna Declaration**"). As discussed further in the Luna Declaration, prior to the Petition Date, the Debtors, from time to time, exercised their right to unilaterally modify certain of the Non-Union Retiree Benefits in the ordinary course of business, which modifications were not contested or objected to.

5. Although the Debtors believe they could have immediately exercised their contractual rights to modify the Non-Union Retiree Life Insurance Benefits and terminate the Non-Union Retiree Medical Benefits without application to the Court, out of an abundance of caution and recognizing the importance of the Non-Union Retiree Benefits, the Debtors submit this motion seeking to modify the Non-Union Retiree Life Insurance Benefits and terminate the Non-Union Retiree Medical Benefits, all of which benefits the Debtors assert they have a contractual right to unilaterally modify or terminate.⁷

(continued...)

retirees and then, if the parties are unable to reach an agreement, seeks court authority to unilaterally modify such benefits. *See* 11 U.S.C. § 1114.

⁶ As set forth in paragraph 5 of the Committee Order (defined below), the only issue before the Court on this Motion is whether the Non-Union Retiree Benefits are subject to unilateral modification and termination, and, if so, whether the relief sought in this Motion should be granted under section 363 of the Bankruptcy Code.

⁷ To the extent that this Court finds that any Non-Union Retiree Benefit is not subject to unilateral modification or termination by the Debtors, the Debtors will not seek to modify or terminate such benefits pursuant to section 363, and, in accordance with the Committee Order (as defined below), will file and serve a notice a notice (...continued)

6. Indeed, the Debtors have afforded every affected party due process. In December of last year, the Debtors sent letters to all of the Non-Union Retirees (as defined below) announcing their intentions with respect to the Non-Union Retiree Benefits. Then, in February, the Debtors consented to the formation of an official committee of Non-Union Retirees (the “**Non-Union Retiree Committee**”), and agreed to fund its counsel, so that the Non-Union Retirees were provided with an estate-paid advocate to confirm whether the Debtors’ determination that the benefits at issue are amendable is correct. That process is underway, and the time has come for the Debtors to seek to realize the savings associated with the modification and termination of these benefits, a critical step on the Debtors’ difficult path to survival.

BACKGROUND AND JURISDICTION

7. On July 9, 2012 (the “**Petition Date**”), each Debtor commenced with the United States Bankruptcy Court for the Southern District of New York (the “**SDNY Bankruptcy Court**”) a voluntary case under chapter 11 of the Bankruptcy Code. On December 19, 2012, the SDNY Bankruptcy Court entered an order transferring these chapter 11 cases to this Court (the “**Transfer Order**”) [ECF No. 1789].⁸ The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. These chapter 11 cases are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and the SDNY Bankruptcy Court’s Joint Administration Order entered on July 10, 2012 [ECF No. 30].

(continued...)

stating whether they will seek to modify or discontinue any such benefits at such time within seven days after the Court’s ruling on this Motion. If such notice states that the Debtors determine to seek to modify or discontinue any such benefits, the Debtors and the Non-Union Retiree Committee will proceed under section 1114 of the Bankruptcy Code.

⁸ Pursuant to the Transfer Order, all orders previously entered in these chapter 11 cases remain in full force and effect in accordance with their terms notwithstanding the transfer of venue.

8. Additional information about the Debtors' businesses and the events leading up to the Petition Date can be found in the Declaration of Mark N. Schroeder pursuant to Local Bankruptcy Rule 1007-2 of the SDNY Bankruptcy Court, filed on July 9, 2012 [ECF No. 4], which is incorporated herein by reference.

9. The Court has subject matter jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

RELEVANT FACTS

A. The Non-Union Retiree Committee

10. On December 17, 2012, the Debtors sent letters to the Non-Union Retirees informing them of their intent to file with the Court a motion seeking approval to terminate the Non-Union Retiree Benefits. Although no advance notification is required by law, the Debtors sent these letters before year end 2012 in order to provide significant advance notice so that those affected could consider alternative plans to replace their current benefits.

11. Prior to the Debtors' filing of any motion seeking authority to modify or terminate the Non-Union Retiree Benefits, on January 8, 2013, Harold R. Racer, a Non-Union Retiree who received one of the letters, filed a motion on behalf of himself and other similarly situated Non-Union Retirees seeking the appointment of an official non-union retiree committee under section 1114(d) of the Bankruptcy Code to represent any non-union retirees who currently receive or are entitled to receive retiree benefits from the Debtors. [ECF Doc. 1919].

12. Soon after Mr. Racer's motion was filed, counsel to the Debtors reached out to Mr. Racer's counsel in order to try to resolve consensually the request for appointment of a committee. After discussion with Mr. Racer's counsel, the U.S. Trustee and the Official Committee of Unsecured Creditors (the "UCC"), the Debtors ultimately agreed that, given the

importance of the Non-Union Retiree Benefits, the formation of a formal entity tasked with reviewing the Non-Union Retiree Benefit Plans to determine whether they were amendable would provide maximum due process to the Non-Union Retirees. Accordingly, the Debtors agreed to the formation of the Non-Union Retiree Committee under section 1114 for the limited purpose of determining whether the Non-Union Retiree Benefit Plans (as defined below) are, in fact, amendable under non-bankruptcy law. As set forth in paragraph 5 of the Order Directing Appointment of Committee of Retired Employees Pursuant to 11 U.S.C. § 1114 [ECF Doc. 3004] (the “**Committee Order**”), the only issues before the Court on this Motion are whether the Non-Union Retiree Benefits are subject to unilateral termination, and, if so, whether the relief sought in this Motion should be granted under section 363 of the Bankruptcy Code. Thus, the Committee Order allows the parties to avoid the time, expense and uncertainty of litigation over the predicate issue of whether an official retiree committee is required to be appointed under section 1114 even where the benefits at issue are not vested.

13. Thereafter, on February 26, 2013, the Debtors (in consultation with the U.S. Trustee and the UCC) sought entry of the Committee Order, agreed to by Mr. Racer, directing the appointment of an official 1114 committee with a specified limited scope and budget. The Court granted this request and entered the Committee Order on February 27, 2013.

14. On March 7, 2013, the U.S. Trustee appointed the following seven former employees of the Debtors as members of the Non-Union Retiree Committee: (1) Harold D. Green, (2) James R. Gillenwater, (3) Richard Hampton, (4) John D. Knabb, (5) Mike Phipps, (6) Danny R. Spratt and (7) Elizabeth A. Wills. The Non-Union Retiree Committee selected Stahl Cowen Crowley Addis LLC, the law firm that filed the motion seeking appointment of a committee on behalf of Mr. Racer, as its counsel.

15. The Committee Order (i) limits the scope of the Non-Union Retiree Committee to addressing the Debtors' factual and legal assertions with respect to the Debtors' purported right, under contract and applicable non-bankruptcy law, of unilateral modification and termination with respect to the Non-Union Retiree Benefits and (ii) caps fees and expenses of counsel to the Non-Union Retiree Committee at \$250,000.

16. Since the filing of the Mr. Racer's motion, Debtors' counsel has been working with counsel to the Non-Union Retiree Committee in a number of constructive ways, including:

- Negotiating the proposed form of the Committee Order;
- Responding promptly and thoroughly to document and information requests;
- Conducting conference calls discussing and clarifying the data that the Debtors have produced to the Non-Union Retiree Committee; and
- Mailing, on behalf of the Non-Union Retiree Committee, various correspondence to the Non-Union Retirees, at the expense of the Debtors.

17. The Debtors have acted diligently to provide the Non-Union Retiree Committee with all information in their possession necessary to evaluate the modification and termination of the Non-Union Retiree Benefits. To date, the Debtors have provided the Non-Union Retiree Committee with various Plan Documents, retiree communications, claims histories and other information regarding the Debtors' employees, retirees and their estates, assets and claims, including by compiling various benefit-related information in response to the Non-Union Retiree Committee's requests. The Debtors estimate that they have produced a total of over 4,400 pages of documents already and will continue to produce relevant information on a rolling basis.

18. Further, as set forth in the Committee Order, to the extent that this Motion is granted, in an effort to mitigate the hardship on the Non-Union Retirees, the Debtors have agreed

to grant each affected Non-Union Retiree a non-priority unsecured claim for their Non-Union Retiree Benefits that accrue during the entire pendency of these cases.

B. Overview of the Debtors’ Non-Union Retiree Benefits

19. The following chart summarizes the plans and programs (collectively, the “**Relevant Plans**”) under which the Debtors provide the Non-Union Retiree Benefits (collectively, the “**Non-Union Retiree Benefit Plans**”):

Plan Name	Description of Benefits
Medical Premium Reimbursement Allowance	Individual accounts notionally funded by employer, which retirees may use to pay for health insurance coverage
Retiree Choice Accounts	Individual accounts notionally funded by employer through rollover of unused funds in an elective employee account-based health plan, which funds retirees may use to pay for health care expenses in retirement
Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees	Medical benefits for Peabody Energy Corporation employees who retired on or after March 1, 1990, with cost sharing between retiree and employer
Patriot Medical Benefit Plan for Legacy Magnum Retirees	Medical benefits for retirees of Apogee Coal Company LLC, Hobet Mining LLC and Catenary Coal Company, LLC, with cost sharing between retiree and employer
Eastern Associated Coal Corporation (“EACC”) Medical, Dental and Life Insurance Benefits	Medical, dental and life insurance benefits with employer-paid premiums for EACC employees who retired before March 1, 1990
Eastern Associated Coal Corporation Medical, Dental and Life Insurance Benefits for Salaried Employees Receiving Disability Benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan and Eligible Spouses of EACC Employees	<p>Medical benefits with employer-paid premiums for former salaried employees of EACC who began receiving long-term disability benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan before April 1, 1987</p> <p>Medical benefits with employer-paid premiums for surviving spouses in the event of an active or disabled EACC employee’s death on or after December 1, 1969 but before April 1, 1987</p>
Diamond Shamrock Medical Plan	Medical and life insurance benefits with employer-paid premiums for salaried employees who retired from Diamond Shamrock before April 1, 1984

Plan Name	Description of Benefits
Catastrophic Group Health Plan for Salaried Employees Terminated Through a Reduction in Force	Medical benefits for Peabody Energy Corporation retirees whose employment was terminated in 1998 through a reduction in force, with cost sharing between retiree and employer
Catastrophic Retiree Medical Plan	Medical benefits, fully-paid premiums by retiree, for retirees who are eligible for Medical Premium Reimbursement Allowance
Amherst Coal Company Employee Benefit Plan for Salaried Employees	Medical benefits with employer-paid premiums for Amherst Coal Company employees who retired before April 1, 1984
Retiree Life Insurance	Employer-paid life insurance benefits for retirees who participate in the retiree medical plans described above

20. The chart below summarizes the number of Non-Union Retiree Benefit Participants (as defined below) affected under each Relevant Plan and the Debtors' current estimated obligations for the Non-Union Retiree Benefits.⁹

Plan Name	Approximate Number of Non-Union Retiree Benefit Participants	Estimated Balance Sheet Liability (thousands of \$)	Estimated Five Year Cash Cost (2013-2017) (thousands of \$)
Medical Premium Reimbursement Allowance ¹⁰	756	\$23,080	\$12,800
Retiree Choice Accounts ¹¹	83	\$206	\$157

⁹ As of September 30, 2012.

¹⁰ The Debtors are Speed Mining LLC.; Midland Trail Energy LLC; Catenary Coal Company LLC; Apogee Coal Company LLC; Gateway Eagle Coal Company, LLC; Heritage Coal Company LLC; Pine Ridge Coal Company, LLC; Highland Mining Company, LLC; Dodge Hill Mining Company; Grand Eagle Mining, LLC.; Ohio County Coal Company, LLC; Eastern Associated Coal, LLC; Appalachia Mine Services, LLC; Patriot Coal Corporation; Patriot Coal Services, LLC; and Rivers Edge Mining Inc.

¹¹ The Debtors are Appalachia Mine Services, LLC; Dodge Hill Mining Company, LLC, Eastern Associated Coal, LLC; Gateway Eagle Mining, LLC; Heritage Coal Company LLC; Highland Mining Company, LLC; Midland Trail Energy LLC; Newtown Energy, Inc.; Ohio County Coal Company, LLC; Patriot Coal Corporation; Patriot Coal Services LLC; Pine Ridge Coal Company, LLC; and Speed Mining LLC.

Plan Name	Approximate Number of Non-Union Retiree Benefit Participants	Estimated Balance Sheet Liability (thousands of \$)	Estimated Five Year Cash Cost (2013-2017) (thousands of \$)
Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees ¹²	495 ¹³	\$9,326	\$5,300
Patriot Medical Benefit Plan for Legacy Magnum Retirees ¹⁴	352	\$6,280	\$2,700
Eastern Associated Coal Corp. Medical, Dental and Life Insurance Benefits ¹⁵	197	\$8,148	\$4,300
Eastern Associated Coal Corporation Medical, Dental and Life Insurance Benefits for Salaried Employees Receiving Disability Benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan and Eligible Spouses of EACC Employees ¹⁶	9	\$1,036	\$497

¹² The Debtors obligated under this plan are Pine Ridge Coal Company, LLC; Highland Mining Company, LLC; Eastern Associated Coal, LLC; Affinity Mining Company; Sterling Smokeless Coal Company, LLC; Mountain View Coal Company, LLC; Colony Bay Coal Company; Appalachia Mine Services, LLC; Martinka Coal Company; Patriot Coal Services, LLC; and Rivers Edge Mining, Inc.

¹³ Fifteen additional Non-Union Retirees are eligible to participate in the Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees but have currently elected not to participate. The total number of Non-Union Retiree Benefit Participants, the estimated balance sheet liability and the estimated five year cash cost for this plan do not reflect these retirees. Two of these retirees are included in the Non-Union Retiree Benefit Participants as individuals who are eligible for Non-Union Retiree Life Insurance Benefits.

¹⁴ The Debtors obligated under this plan are Speed Mining LLC; Midland Trail Energy LLC; Catenary Coal Company, LLC; Apogee Coal Company, LLC; Hobet Mining LLC; Eastern Associated Coal, LLC; and Patriot Coal Services, LLC.

¹⁵ The Debtors obligated under this plan are Eastern Associated Coal, LLC; Affinity Mining Company; and Sterling Smokeless Coal Company, LLC.

¹⁶ The Debtor obligated under this plan is Eastern Associated Coal, LLC.

Plan Name	Approximate Number of Non-Union Retiree Benefit Participants	Estimated Balance Sheet Liability (thousands of \$)	Estimated Five Year Cash Cost (2013-2017) (thousands of \$)
Diamond Shamrock Medical Plan ¹⁷	8	\$53	\$100
Catastrophic Group Health Plan for Salaried Employees Terminated Through a Reduction in Force ¹⁸	3	\$178	\$86
Catastrophic Retiree Medical Plan	54	N/A ¹⁹	N/A
Amherst Coal Company Employee Benefit Plan for Salaried Employees ²⁰	12	\$75	\$100
Retiree Life Insurance ²¹	881	\$2,942	\$875
TOTAL	1,955	\$51,324	\$26,915

C. Description of the Non-Union Retiree Benefits

21. The Debtors provide Non-Union Retiree Benefits to approximately 927 individuals who retired as non-union employees of the Debtors and were eligible to participate in one or more of the Non-Union Retiree Benefit Plans upon their retirement (collectively, the

¹⁷ The Debtor obligated under this plan is Apogee Coal Company LLC.

¹⁸ The Debtor obligated under this plan is Eastern Associated Coal, LLC.

¹⁹ There is no cost associated with the Catastrophic Retiree Medical Plan because all participants are also participants of the Medical Premium Reimbursement Allowance Program.

²⁰ The Debtor obligated under this plan is Apogee Coal Company LLC.

²¹ The Debtors obligated under this plan are Speed Mining LLC; Midland Trail Energy LLC; Catenary Coal Company, LLC; Apogee Coal Company LLC; Hobet Mining LLC; Gateway Eagle Coal Company, LLC; Heritage Coal Company LLC; Pine Ridge Coal Company, LLC; Highland Mining Company, LLC; Dodge Hill Mining Company, LLC; Grand Eagle Mining LLC; Ohio County Coal Company, LLC; Eastern Associated Coal, LLC; Affinity Mining Company; Sterling Smokeless Coal Company, LLC; Mountain View Coal Company, LLC; Colony Bay Coal Company; Appalachia Mine Services, LLC; Martinka Coal Company; Patriot Coal Corporation; Patriot Coal Services, LLC; and Rivers Edge Mining, Inc.

“**Non-Union Retirees**”, and together with approximately 672 active and former employees of the Debtors who currently are or may become eligible for Non-Union Retiree Benefits, and with their respective spouses, surviving spouses and dependents, as applicable, the “**Non-Union Retiree Benefit Participants**”).

20. The Non-Union Retiree Benefits have a five-year cash cost of approximately \$26.9 million and an associated balance sheet liability of approximately \$51.3 million. To be sure, termination of the Non-Union Retiree Medical Benefits does not mean that these retirees will be without access to healthcare. Many retirees will be eligible for Medicare coverage and may replace the Non-Union Retiree Medical Benefits with insurance products available on the market. Other retirees may elect to receive health care coverage on a self-paid basis in accordance with the Consolidated Budget Reconciliation Act of 1986 (“**COBRA**”).

22. As noted above, the Debtors also (i) provide the Union Retiree Benefits and (ii) maintain a retiree medical plan for certain salaried employees who retired after December 31, 1969 and before March 1, 1990 with ten years of eligible service (the “**Pre-March 1990 Plan**”). To be clear, the Debtors are not seeking to modify or terminate the Union Retiree Benefits pursuant to this Motion and are not currently seeking to modify or terminate the Pre-March 1990 Plan. In addition, the financial obligations for the benefits provided by the Debtors to certain participants of Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees (such benefits, the “**Assumed Benefits**”) were assumed by Peabody Holding Company pursuant to the Salaried Employee Liabilities Assumption Agreement entered into as of October 22, 2007 between Patriot Coal Corp., Peabody Coal Company, Peabody Holding Company and Peabody Energy Corp. as guarantor. The Debtors are not seeking to terminate the Assumed Benefits and expect Peabody to continue to pay for such benefits.

D. The Debtors' Reservation of Rights to Modify the Non-Union Life Insurance Benefits and Terminate the Non-Union Retiree Medical Benefits

23. Over the years, the Debtors have expressly and repeatedly reserved the unilateral right, at any time, to modify or terminate the Non-Union Retiree Benefits under each of the Relevant Plans within the associated plan documents, summary plan descriptions and summaries of material modifications issued for the Non-Union Retiree Benefit Plans (collectively, the “**Plan Documents**”).

24. Each of the Plan Documents is attached to the Luna Declaration and has been provided to the Non-Union Retiree Committee. For the convenience of the Court, the relevant language and documentation with respect to the Debtors' unilateral right to modify or terminate the Non-Union Retiree Benefits under each of the Non-Union Retiree Benefit Plans is organized in a summary chart format in Appendix A hereto. As detailed in the summary provided in Appendix A hereto and discussed further herein, the Debtors expressly reserved the unilateral right to modify or terminate the Non-Union Retiree Benefits in the Plan Documents issued for the Relevant Plans.

25. Indeed, in accordance with such reservation of rights, the Debtors have, from time to time in the past, made a number of changes in, and reductions to, the Non-Union Retiree Benefits.²²

²² For example, in addition to unilaterally increasing annual premiums paid by Non-Union Retirees on an annual basis under the Patriot Salaried Retiree Medical Benefits for Legacy Peabody Energy Corporation Retirees, Patriot Medical Benefits Plan for Legacy Magnum Retirees, Catastrophic Group Health Plan for Salaried Employees Terminated Through a Reduction in Force and Catastrophic Retiree Medical Plan. Further, in 2010, certain of the Debtors unilaterally imposed plan design modifications for the Patriot Medical Benefit Plan for Legacy Magnum Retirees and the Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees and reduced the retiree life insurance benefits provided under such plans. Similarly, in 2008, 2009 and 2010, certain of the Debtors changed the eligibility requirements for the Medical Premium Reimbursement Allowance Plan and the Patriot Medical Benefits Plan for Legacy Magnum Retirees.

26. By this Motion, the Debtors seek to modify the Non-Union Life Insurance Benefits and terminate the Non-Union Retiree Medical Benefits provided pursuant to the Non-Union Retiree Benefit Plans consistent with their unilateral right to do so under applicable law.

ARGUMENT

I. The Debtors Are Contractually Entitled to Modify or Terminate the Non-Union Retiree Benefits

28. The Supreme Court and Congress have made clear that, under ERISA, an employer is not required to provide Retiree Benefits. *See, e.g., Curtiss-Wright Corp. v. Schoonejongen*, 514 U.S. 73, 78 (1995) (“ERISA does not create any substantive entitlement to employer-provided health benefits or any other kind of welfare benefits.”). Importantly, Congress has rejected automatic vesting for welfare (including Retiree Benefits) plans, recognizing that employers need flexibility in modifying welfare plans due to unpredictable and fluctuating costs. *Stearns v. NCR Corp.*, 297 F.3d 706, 711 (8th Cir. 2002) (“ERISA mandates vested pension benefits. *See* 29 U.S.C. § 1053. But Congress did not mandate vesting for employee welfare benefit plans, such as health care plans. *See* 29 U.S.C. § 1051(1).” (internal citations omitted)).

29. If an employer chooses to provide Retiree Benefits, the employer is “generally free under ERISA, for any reason at any time, to adopt, modify, or terminate welfare plans.” *Ross v. Rail Car America Grp. Disability Income Plan*, 285 F.3d 735, 742 (8th Cir. 2002) (citing *Curtiss-Wright Corp.*, 514 U.S. at 78). In the Eighth Circuit, “an employer may unilaterally modify or terminate medical benefits at any time absent the employer’s contractual agreement to the contrary.” *Halbach v. Great-West Life & Annuity Ins. Co.*, 561 F.3d 872, 877 (8th Cir. 2009) (citation and internal quotations omitted).

30. The interpretation of plan documents is a matter of contract interpretation. *Id.* (“Whether such benefits are vested, then, is a matter of private contract . . .”). The Eighth Circuit also looks to principles of trust law when interpreting ERISA plan documents. *Hughes v. 3M Retiree Medical Plan*, 281 F.3d 786, 790 (8th Cir. 2002). Since ERISA does not prescribe vesting standards for employee welfare benefits plans, the core inquiry is whether the plan documents themselves conferred vested benefits. *Jensen v. SIPCO, Inc.*, 38 F.3d 945, 949 (8th Cir. 1994). *See also Moore v. Met. Life Ins.*, 856 F.2d 488, 492 (2d Cir. 1988) (noting that Congress intended that plan documents and summary plan descriptions govern an employer’s obligations under ERISA plans). When, as here, plan documents unambiguously permit the employer to modify or terminate benefits, only an “affirmative indication of vesting” in the plan documents can overcome that reservation of rights. *Stearns*, 297 F.3d at 712. *See also Moore*, 856 F.2d at 492-93 (holding that the ability of the plan sponsor to modify or terminate retiree benefits is governed solely by the plan documents and summary plan descriptions, and not by other ancillary documents and communications the plan sponsor or employer may have sent to retirees (including those sent while they were active employees)).

31. Here, the plain terms of the Plan Documents for the Relevant Plans clearly and unequivocally reserve the Debtors’ rights to unilaterally modify or terminate the Non-Union Retiree Benefits.

II. The Debtors’ Reservation of Their Rights to Modify or Terminate Non-Union Retiree Benefits Precludes Any Claim to Vested Rights

32. Under binding Eighth Circuit precedent, if plan documents clearly reserve the employer’s right to modify or terminate welfare benefits, then, as a matter of nonbankruptcy law, the plan does not provide for vested benefits. *See, e.g., Maytag Corp. v. Int’l Union*, 687 F.3d 1076, 1085 (8th Cir. 2012) (quoting *Stearns*, 297 F.3d at 712) (“We have repeatedly held that an

unambiguous reservation-of-rights provision is sufficient without more to defeat a claim that retirement welfare plan benefits are vested. [T]here must be an affirmative indication of vesting in the plan documents to overcome an unambiguous reservation of rights.”); *Hutchins v. Champion Int’l Corp.*, 110 F.3d 1341, 1345-46 (8th Cir. 1997) (“The plan specifically provided Champion with the authority to terminate or modify it. In the absence of contrary language in the plan, Hutchins did not have a right to vested benefits.”); *DeGeare v. Alpha Portland Indus., Inc.*, 837 F.2d 812, 814, 816-17 (8th Cir. 1988) (holding that an employer’s promise that benefits “will continue” could not be read as a promise of vested lifetime benefits in the face of language permitting modification or termination), *vacated on other grounds*, *DeGeare v. Slattery Group, Inc.*, 489 U.S. 1049 (1989); *Anderson v. Alpha Portland Indus., Inc.*, 836 F.2d 1512, 1519 (8th Cir. 1988) (“[T]he provision of the I & H Agreement allowing amendment, modification, or supplementation is inconsistent with plaintiffs’ argument that benefits were vested for life.”).

33. As detailed in the summary provided in Appendix A hereto, the Debtors reserved the unilateral right to modify or terminate the Non-Union Retiree Benefits in the Plan Documents issued for the Relevant Plans. While the legally binding terms of the Relevant Plans are formally laid out in the plan documents, reservation of rights language in the relevant summary plan descriptions (“SPDs”) is also significant in this case because Congress intended SPDs to be “a primary source of information” for plan participants regarding plan benefits. *Joyce v. Curtiss-Wright Corp.*, 171 F.3d 130, 136 (2d Cir. 1999). *See also* 29 U.S.C. § 1022(a) (SPD must be provided to participants and beneficiaries); *CIGNA v. Amara*, 131 S. Ct. 1866, 1878 (2011) (noting that “the basic summary plan description objective [is] clear, simple communication”).

34. In this case, the Plan Documents clearly show, on their face, that the Debtors reserved the unilateral right to modify or terminate the Non-Union Retiree Benefits.²³ For example, the Plan Documents describing the Medical Premium Reimbursement Allowance state that “the Company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided.” See, e.g., Patriot Salaried Retiree Guide to Benefits After Retirement, 73 (Jan. 2010) (emphasis added).

35. Likewise, Plan Documents describing the Retiree Choice Accounts, Patriot Medical Benefit Plan for Legacy Magnum Retirees, Eastern Associated Coal Corp. Medical, Dental and Life Insurance Benefits, Eastern Associated Coal Corporation Medical, Dental and Life Insurance Benefits for Salaried Employees Receiving Disability Benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan and Eligible Spouses of EACC Employees, Catastrophic Group Health Plan for Salaried Employees Terminated Through a Reduction in Force, Amherst Coal Company Employee Benefit Plan for Salaried Employees and the Non-Union Retiree Life Insurance Benefits contain the same language as that quoted from the Medical Premium Reimbursement Allowance Plan Document referenced above.²⁴ The other

²³ A summary of material modifications that relates to the Medical Premium Reimbursement Allowance, Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees, Eastern Associated Coal Corporation Medical, Dental and Life Insurance Benefits, Eastern Associated Coal Corporation Medical, Dental and Life Insurance Benefits for Salaried Employees Receiving Disability Benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan and Eligible Spouses of EACC Employees and Retiree Life Insurance does not include language regarding the right to modify or terminate the Non-Union Retiree Benefits provided under these plans. However, this summary of material modifications does not include any language indicating that the participants are vested in these benefits, and all of the other Plan Documents relating to these plans expressly reserve the right to modify or terminate the plans.

²⁴ See, e.g., Patriot Salaried Retiree Guide to Benefits After Retirement, *intro.* 2, 73 (Jan. 2010); Your Guide to Patriot Medical Benefit Plan for Legacy Magnum Retirees, *intro.* 2, 58 (Jan. 2010); Eastern Associated Coal Corp. Medical, Dental and Life Insurance Benefits, *intro.* 2, 48-49 (Aug. 2004); Eastern Associated Coal Corp. Medical, Dental and Life Insurance Benefits for Salaried Employees Receiving Disability Benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan; Eligible Surviving Spouses of EACC Employees, *intro.* 2, 37 (...continued)

Plan Documents for the Relevant Plans contain similar language to that quoted from the Medical Premium Reimbursement Allowance Plan Document referenced above:

- **Diamond Shamrock Medical Plan:** “To the full extent permitted by law, Diamond Shamrock reserves the right to terminate or change any provision of this section at any time and for any reason as it applies to current, past, or future retirees and beneficiaries.” *See, e.g.*, *Your Benefits in Retirement*, 1 (Jan. 1, 1987).
- **Catastrophic Retiree Medical Plan:** “The Company intends to maintain this plan for eligible retired employees, but reserves the right to change or terminate the Plan at any time. This document is not a guarantee of benefits or an employment contract of any kind” *See, e.g.*, *Patriot Salaried and Non-Represented Hourly Retiree Guide: Catastrophic Medical and Prescription Drug Benefit Plan*, introduction p. 2 (Jan. 2010).

36. The above reservation of rights clauses make clear that the Debtors did not intend for the Non-Union Retiree Benefits to be vested, and, as a matter of law, such benefits are not vested. In *Hutchins*, the Eighth Circuit rejected the argument of a plan participant who had been incarcerated and lost his benefits after his employer amended its long-term disability benefits plan to exclude benefits to people who are incarcerated. The plan participant claimed that his benefits were vested; however, the Eighth Circuit found that his benefits had not vested because the plan specifically provided his employer with the authority to terminate or modify the plan. 110 F.3d at 1345-46. The plan at issue stated: “the Company hereby reserves the right to amend or terminate the Plan at any time by action of its Board of Directors” *Id.* at 1343. The benefits described herein are no different; the unambiguous provisions of the Relevant Plans reserving the Debtors’ rights to unilaterally modify or terminate the Non-Union Retiree Benefits must govern.

(continued...)
(August 1998); *The Key to Medical Benefits*, 1, 51 (Jan. 2000); *Amherst Coal Company Employee Benefit Plan for Salaried Employees*, 63 (Jun. 1982); *Peabody Salaried Employee Guide to Basic, Supplemental and Dependent Life and Basic AD&D Benefits*, *intro.* 2, 30 (July 2007).

III. Modifying the Non-Union Life Insurance Benefits and Terminating the Non-Union Retiree Medical Benefits are Sound Exercises of the Debtors' Business Judgment

37. Termination of the Non-Union Retiree Benefits is an eminently reasonable exercise of the Debtors' sound business judgment. Section 1108 of the Bankruptcy Code authorizes the Debtors to operate their businesses, and section 363(b)(1) of the Bankruptcy Code permits a debtor in possession to use property of the estate "other than in the ordinary course of business" after notice and hearing. 11 U.S.C. § 363(b)(1) (2006). In order for a transaction out of the ordinary course of business to be approved pursuant to section 363(b), it must represent a reasonable exercise of the debtor's business judgment. *See, e.g., In re Food Barn Stores, Inc.*, 107 F.3d 558, 567 n.16 (8th Cir. 1997); *In re Channel One Commc'ns, Inc.*, 117 B.R. 493, 496 (Bankr. E.D. Mo. 1990) (citing *In re Lionel Corp.*, 722 F.3d 1063, 1071 (2d Cir. 1983)).

38. Here, the Debtors have good business reasons for modifying the Non-Union Retiree Life Insurance Benefits and terminating the Non-Union Retiree Medical Benefits. Continuing to provide these benefits is a significant financial burden on the Debtors, representing a consolidated liability of approximately \$51.3 million on the Debtors' balance sheet. Moreover, the Debtors are engaged in negotiations with the UMWA over significant modifications to retiree healthcare and have determined it is necessary to spread the burden of their reorganization process across all of their employees, retirees and other stakeholders. After extensively reviewing the operating and financial costs associated with their Retiree Benefits, the Debtors, in the sound exercise of their business judgment, have elected to modify the Non-Union Retiree Life Insurance Benefits and terminate the Non-Union Retiree Medical Benefits. The Debtors have determined that modifying and terminating these benefits will generate significant cost savings and, thus, preserve much needed liquidity going forward, which is in the best interests of the Debtors and their estates and will help facilitate the Debtors' successful reorganization.

39. Accordingly, the Debtors respectfully submit that they have satisfied the business judgment standard required under section 363(b) of the Bankruptcy Code to proceed with the modification of the Non-Union Retiree Life Insurance Benefits as set forth herein and termination of the Non-Union Retiree Medical Benefits. For these reasons, this Motion should be granted.

Non-Union Retiree Claims

40. As set forth in paragraph 7 of the Committee Order, to the extent this Motion is granted, each Non-Union Retiree will be entitled to a non-priority unsecured claim against the applicable Debtor that provides such Non-Union Retiree with his or her Non-Union Retiree Benefits, regardless of whether such Non-Union Retiree filed a proof of claim in respect of such Non-Union Retiree Benefits, in an amount approximating the value of the terminated Non-Union Retiree Benefits that, but for such termination, would be due to be paid to such Non-Union Retiree during the course of these cases, or in such other amount as may be agreed between the Debtors and the Non-Union Retiree Committee (in consultation with the UCC and subject to the approval of the Court) (the “**Non-Union Retiree Claims**”). The Debtors were not required by law to grant such a claim but have done so to mitigate the effect of the Motion on the Non-Union Retirees.

41. In furtherance of the termination of the Non-Union Retiree Benefits, the Debtors submit that, other than with respect to the Non-Union Retiree Claims, the Debtors, their estates, the Non-Union Retiree Benefit Plans and the Non-Union Retiree Benefit Plan administrators, and each of their respective past and present parents, subsidiaries, affiliates, general partners, limited partners, shareholders, administrators, liquidators, directors, officers, employees, managers, agents, attorneys, solicitors, trustees, fiduciaries, accountants and advisors, and each

of their predecessors, successors and assigns shall neither have, nor incur any liability to any Non-Union Retiree Benefit Participant or any of his or her respective spouse, former spouses, dependents, heirs, distributees, executors, administrators, officers, directors, agents, representatives, successors and assigns of his or her Non-Union Retiree Claim; such that from and after the date of entry of the Proposed Order, the Non-Union Retiree Committee and all Non-Union Retiree Benefit Participants shall be forever estopped and barred from seeking further relief, pursuant to sections 105(a), 363(b) and 1114 of the Bankruptcy Code or otherwise, relating to the Non-Union Retiree Benefit Plans.

Waiver of Bankruptcy Rules 6004(a) and 6004(h)

42. Given the nature of the relief requested herein, the Debtors respectfully request a waiver of (a) the notice requirements under Bankruptcy Rule 6004(a) and (b) the 14-day stay under Bankruptcy Rule 6004(h).

Debtors' Reservation of Rights

43. Nothing contained herein is intended or should be construed as an admission as to the validity of any claim against any of the Debtors, a waiver of any of the Debtors' rights to dispute any claim or an approval or assumption of any agreement or contract under section 365 of the Bankruptcy Code. The Debtors expressly reserve their rights to contest any claim of any Non-Union Retiree Benefit Participant or the Non-Union Retiree Committee under applicable nonbankruptcy law, except with respect to the Non-Union Retiree Claims. Likewise, if the Court grants the relief sought herein, any payment made (other than in satisfaction of a Non-Union Retiree Claim) is not intended and should not be construed as an admission as to the validity of any claim or a waiver of any of the Debtors' rights to dispute such claim subsequently.

Notice

44. Consistent with the Order Granting Debtors' Motion for an Order Establishing Certain Notice, Case Management and Administrative Procedures entered on March 22, 2013 [ECF No. 3361] (the "**Case Management Order**"), the Debtors will serve notice of this Motion on (a) the Core Parties and (b) the Particularized Interest Parties (as those terms are defined in the Case Management Order), including the Non-Union Retiree Committee, each Non-Union Retiree and each active employee of the Debtors who currently is or may become eligible for Non-Union Retiree Benefits. All parties who have requested electronic notice of filings in these cases through the Court's ECF system will automatically receive notice of this motion through the ECF system no later than the day after its filing with the Court. A copy of this motion and any order approving it will also be made available on the Debtors' Case Information Website (located at <http://www.patriotcaseinfo.com>). The Proposed Order has been provided to the United States Trustee, counsel to the Non-Union Retiree Committee, counsel to the UCC and counsel to the administrative agents for the Debtors' postpetition lenders. A copy of the Proposed Order is available at www.patriotcaseinfo.com/orders.php (the "**Patriot Orders Website**"). The Proposed Order may be modified or withdrawn at any time without further notice. If any significant modifications are made to the Proposed Order, an amended Proposed Order will be made available on the Patriot Orders Website, and no further notice will be provided. In light of the relief requested, the Debtors submit that no further notice is necessary. Pursuant to paragraph 14 of the Case Management Order, if no objections are timely filed and served in accordance therewith, the relief requested herein may be entered without a hearing.

No Prior Request

45. The Debtors have not previously sought the relief requested herein from this or any other court.

WHEREFORE the Debtors respectfully request the Court grant the Debtors the relief requested herein and such other and further relief as is just and proper.

Dated: April 2, 2013
New York, New York

Respectfully submitted,

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APPENDIX A TO MOTION

Reservation of Rights Language in the Plan Documents

The relevant language and documentation with respect to each of the Plan Documents is organized in summary chart form below. The Debtors have conducted a thorough inventory of their employee and retiree benefit plan records in connection with the changes proposed by the Motion. To the Debtors’ best knowledge, the Plan Documents listed below represent all of the Plan Documents relevant to the Non-Union Retiree Benefits that could be located through a good faith search and due inquiry.²⁵

I. Medical Premium Reimbursement Allowance (“MPR”) and Catastrophic Retiree Medical Plan

Name of Document	Reservation of Rights Language
Peabody Investment Corp and Affiliates Welfare Benefit Plan, effective February 18, 2005 (p. 9)	<p>“The Company and the Participating Employers do not assume continuation of the Plan or payment of their respective contributions with respect to the Plan or any Welfare Benefit Program as a contractual obligation. The Company reserves the right at any time to reduce, suspend or discontinue the Plan or any Welfare Benefit Program.”</p> <p>“The Company may amend, modify, change, revise, discontinue or terminate the entire Plan or any Welfare Benefit Program maintained under the Plan from time to time or at any time, without advance notice thereof, subject to any collective bargaining agreement between a Participating Employer and a collective bargaining unit.”</p>
<p>Peabody Salaried Employee Guide to Medical Benefits, dated August 2006 (introduction; p. 78)</p> <p>Peabody Salaried Employee Guide to Medical Benefits, dated July 2007 (introduction; p. 86)</p> <p>Patriot Midwest Salaried Employee Guide to Medical Benefits, dated November 2007 (introduction; p. 86)</p> <p>Patriot Salaried Employee Guide to</p>	<p>“The company intends to maintain this plan for eligible employees, but reserves the right to change or end the plan at any time.”</p> <p>“The plan is adopted with the intention that it will be continued for the benefit of present and future employees and retired employees of the company. However, the company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees and retired employees to lose all or a portion of their benefits</p>

²⁵ This Appendix A does not include the summary of material modification entitled “Claims Procedures for the Welfare Benefit Plans Administered by Peabody Holding Company, Inc. for all Affiliates,” which is discussed in footnote 23 above.

<p>Medical Benefits, dated November 2007 (introduction; p.83)</p>	<p>under the plan, but will not affect the right of any employee or retiree to be reimbursed for any covered expense that has already been incurred. This means that an employee or a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment or retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”</p>
<p>Patriot Midwest Non-Represented Hourly Retiree Guide to Benefits After Retirement, dated January 2010 (introduction; p. 62)</p> <p>Patriot Salaried and Non-Represented Hourly Retiree Guide: Catastrophic Medical and Prescription Drug Benefit Plan, dated January 2010 (introduction; p. 57)</p>	<p>“The Company intends to maintain this plan for eligible [retirees] [retired employees], but reserves the right to change or terminate the Plan at any time. This document is not a guarantee of benefits or an employment contract of any kind.”</p> <p>“The Plan is adopted with the intention that it will be continued for the benefit of eligible present and future retired employees of the Company and certain designated affiliates and subsidiaries. However, the Company reserves the right to terminate the Plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause retired employees to lose all or a portion of their benefits under the Plan, but will not affect the right of any retired employee to be reimbursed for any covered expense that has already been incurred. This means that a retired employee cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time. This plan will comply with all requirements of the law and will be amended, if necessary, in order to meet any such requirements.”</p>
<p>Patriot Salaried Retiree Guide to Benefits After Retirement, dated January 2010 (introduction; p. 73)</p>	<p>“The Company intends to maintain this plan for eligible retirees, but reserves the right to change or terminate the Plan at any time. This document is not a guarantee of benefits or an employment contract of any kind.”</p> <p>“This plan is adopted with the intention that it will be continued for the benefit of eligible present and future retirees of the Company and certain designated affiliates and subsidiaries. However, the Company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause retirees to lose all or a portion of their benefits under the plan. This means that a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment. This plan will comply with all requirements of the law and will be amended, if necessary, in order to meet any such requirements.”</p>

<p>2003 Enrollment Guide (back cover) 2004 Enrollment Guide (back cover) 2005 Enrollment Guide (back cover) 2006 Enrollment Guide (p. 56) Midwest Region Salaried Employee 2006 Benefits Enrollment Guide (p. 49) Appalachia Region 2007 Benefits Enrollment Guide (p. 52) 2008 Dodge Hill Mining Co., LLC Hourly Employees Enrollment Guide (p. 28) 2008 Grand Eagle Mining/Ohio County Coal Company Hourly Employees Enrollment Guide (p. 26)</p>	<p>“The company reserves the right to amend or terminate the program in whole or in part at any time.”</p>
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II. Retiree Choice Accounts

Name of Document	Reservation of Rights Language
<p>Peabody Salaried Employee Guide to Medical Benefits, dated August 2006 (introduction; p. 78) Peabody Salaried Employee Guide to Medical Benefits, dated July 2007 (introduction; p. 86) Patriot Midwest Salaried Employee Guide to Medical Benefits, dated November 2007 (introduction; p. 86) Patriot Salaried Employee Guide to Medical Benefits, dated November 2007 (introduction; p.83) Patriot National Employee Guide to Medical Benefits, dated November 2007 (introduction; p. 87)</p>	<p>“The company intends to maintain this plan for eligible employees, but reserves the right to change or end the plan at any time.” “The plan is adopted with the intention that it will be continued for the benefit of present and future employees and retired employees of the company. However, the company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees and retired employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee or retiree to be reimbursed for any covered expense that has already been incurred. This means that an employee or a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment or retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”</p>
<p>2005 Enrollment Guide (back cover) 2006 Enrollment Guide (p. 56) Midwest Region Salaried Employee Benefits 2006 Enrollment Guide (p. 49) Appalachia Region 2007 Benefits Enrollment Guide (p. 52) Appalachia Region Salaried Employees</p>	<p>“The company reserves the right to amend or terminate the program in whole or in part at any time.”</p>

2008 Enrollment Guide (p. 51)	
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III. Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees

Name of Document	Reservation of Rights Language
<p>Group Life, Accidental Death & Dismemberment, Long Term Disability, Accident and Health and Major Medical Coverages, dated September 1976 (p. 9 of 25)</p>	<p>“The discontinuance of the Policy shall immediately terminate all insurance hereunder.”</p> <p>“Termination of an Employee's insurance shall immediately terminate the insurance of his dependents except that in the event of the death of any Retired Employee who has named his spouse under an effective joint and survivor option under the Policyholder's Retirement Plan, while insured hereunder, the insurance for his dependents may be continued until (1) the death of the surviving spouse, (2) the spouse's remarriage, or (3) attainment of termination age for dependent children, whichever first occurs.”</p>
<p>Peabody Group Health and Life Plan for Salaried Employees, dated March 9, 1989, for the plan effective June 1, 1985 (p. 77)</p>	<p>“The Plan is adopted with the intention that it shall be continued for the benefit of present and future Employees and Retired Employees of the Company; however, the right is reserved by Peabody to terminate, amend, change required contributions, or modify this Plan in whole or in part at any time or for any reason, including changes in any and all of the benefits herein provided. Such termination, amendment, change in required contributions or modification of the Plan may cause Employees and Retired Employees to lose all or a portion of their benefits under the Plan, but shall not affect the right of any Employee or Retired Employee to be reimbursed for any Covered Expense which has already been incurred or to which he or she has already become entitled under the Plan.”</p> <p>“This means that an Employee shall not acquire a lifetime right to any Plan benefit or to the continuation of this Plan merely by reason of the fact that such benefit or this Plan is in existence at any time during the Employee's employment. Nor does it mean that a Retired Employee shall acquire a lifetime right to any Plan benefit or to the continuation of this Plan merely by reason of the fact that such benefit or this Plan is in existence at any time during the Retired Employee's employment or at the time of the Retired Employee's retirement. This Plan shall comply with all applicable requirements of the law and shall be amended, if necessary, in order to satisfy any such requirements.”</p>
<p>Peabody Group Health and Life Plan for Salaried Employees, dated March 1, 1990 (pp. O-1, O-9)</p>	<p>“Peabody intends to maintain a benefit plan for salaried employees indefinitely, but reserves the right to amend or terminate any benefit at any time.”</p> <p>“The Plan is adopted with the intention that it shall be continued for the benefit of present and future Employees and Retired Employees of the Company; however, the right</p>

	<p>is reserved by Peabody to terminate, amend, change required contributions, or modify this Plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. Such termination, amendment, change in required contributions or modification of the Plan may cause Employees and Retired Employees to lose all or a portion of their benefits under the Plan, but shall not affect the right of any Employee or Retired Employee to be reimbursed for any Covered Expense which has already been incurred or to which he or she has already become entitled under the Plan.”</p> <p>“This means that an Employee shall not acquire a lifetime right to any plan benefit or to the continuation of this plan merely by reason of the fact that such benefit or this plan is in existence at any time during the Employee’s employment. Nor does it mean that a Retired Employee shall acquire a lifetime right to any plan benefit or to the continuation of this plan merely by reason of the fact that such benefit or this plan is in existence at any time during the Retired Employee’s employment or at the time of the Retired Employee’s retirement. This plan shall comply with all applicable requirements of the law and shall be amended, if necessary, in order to satisfy any such requirements.”</p>
<p>The Key to Medical and Vision Benefits, dated January 1995 (pp. 1, 52-53)</p>	<p>“The company intends to maintain these plans for salaried employees, but reserves the right to change or end the plans at any time, within the terms of the plan documents.”</p> <p>“The plan is adopted with the intention that it will be continued for the benefit of present and future employees and retired employees of the company. However, the company reserves the right to terminate the plan, change required contributions, or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees and retired employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee or retired employee to be reimbursed for any covered expense that has already been incurred. This means that an employee or a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment or retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”</p>
<p>The Key to Medical Benefits, dated January 1997 (pp. 1, 57) The Key to Medical Benefits, dated April 2000 (pp. 1, 68)</p>	<p>“The company intends to maintain this plan for salaried employees, but reserves the right to change or end the plan at any time, within the terms of the plan document[s].”</p> <p>“The plan is adopted with the intention that it will be continued for the benefit of present and future employees and retired employees of the company. However, the company reserves the right to terminate the plan, change required contributions, or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees</p>

	<p>and retired employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee or retired employee to be reimbursed for any covered expense that has already been incurred. This means that an employee or a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee's employment or retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements."</p>
<p>Peabody Group Health and Life Plan for Salaried Employees, effective June 1, 1985, as amended and restated January 1, 1997 (Art. X, pp. 1-2)</p> <p>Peabody Group Health and Life Plan for Salaried Employees, effective June 1, 1985, as restated January 1, 2001 (Art. X, pp. 1-2)</p>	<p>"The Plan Administrator reserves the right at any time and from time to time to modify or amend the Plan, in whole or in part provided that no such amendment shall have the effect of reducing the amount of any benefit to which a Participant is entitled by reason of expenses incurred prior to the date on which such an amendment is adopted. Such action shall be taken through the action of the Plan Administrator's Board of Directors or of its duly-authorized delegate."</p> <p>"The Plan Administrator reserves the right to terminate the Plan, in part or in its entirety, at any time. Such action shall be taken through the action of the Plan Administrator's Board of Directors or of its duly authorized delegate."</p> <p>"An employee shall not acquire a lifetime right to any Plan benefit or to the continuation of this Plan merely by reason of the fact that such benefit or this Plan is in existence at any time during the employee's employment. Nor shall a retired employee acquire a lifetime right to any Plan benefit or to the continuation of this Plan merely by reason of the fact that such benefit or this Plan is in existence at any time during the retired employee's employment or at the time of the retired employee's retirement. This Plan shall comply with all applicable requirements of the law and shall be amended, if necessary, in order to satisfy any such requirements."</p>
<p>Peabody Investment Corp and Affiliates Welfare Benefit Plan, effective February 18, 2005 (p. 9)</p>	<p>"The Company and the Participating Employers do not assume continuation of the Plan or payment of their respective contributions with respect to the Plan or any Welfare Benefit Program as a contractual obligation. The Company reserves the right at any time to reduce, suspend or discontinue the Plan or any Welfare Benefit Program."</p> <p>"The Company may amend, modify, change, revise, discontinue or terminate the entire Plan or any Welfare Benefit Program maintained under the Plan from time to time or at any time, without advance notice thereof, subject to any collective bargaining agreement between a Participating Employer and a collective bargaining unit."</p>
<p>Peabody Salaried Employee Guide to Medical Benefits, dated August 2006 (introduction; p. 78)</p> <p>Peabody Salaried Employee Guide to Medical Benefits, dated July 2007 (introduction; p. 86)</p>	<p>"The company intends to maintain this plan for eligible employees, but reserves the right to change or end the plan at any time."</p> <p>"The plan is adopted with the intention that it will be continued for the benefit of present and future employees and retired employees of the company. However, the</p>

<p>Patriot Midwest Salaried Employee Guide to Medical Benefits, dated November 2007 (introduction; p. 86)</p> <p>Patriot Salaried Employee Guide to Medical Benefits, dated November 2007 (introduction; p.83)</p>	<p>company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees and retired employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee or retiree to be reimbursed for any covered expense that has already been incurred. This means that an employee or a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment or retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”</p>
<p>Your Guide to Patriot Salaried Retiree Medical Benefit Plan for Legacy Peabody Energy Corporation Retirees, dated January 2010 (introduction; p. 61)</p>	<p>“The Company intends to maintain this plan for eligible retired employees, but reserves the right to change or terminate the Plan at any time. This document is not a guarantee of benefits or an employment contract of any kind.”</p> <p>“The Plan is adopted with the intention that it will be continued for the benefit of eligible present and future retired employees of the Company and certain designated affiliates and subsidiaries. However, the Company reserves the right to terminate the Plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause retired employees to lose all or a portion of their benefits under the Plan, but will not affect the right of any retired employee to be reimbursed for any covered expense that has already been incurred. This means that a retired employee cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time. This plan will comply with all requirements of the law and will be amended, if necessary, in order to meet any such requirements.”</p>
<p>2007 Medical Coverage News for Retired Employees (p. 9)</p> <p>Patriot Coal Corporation 2008 Medical Coverage News for Retired Employees (p. 6)</p> <p>Patriot Coal Corporation 2009 Medical Coverage News for Retired Employees (p. 6)</p> <p>Patriot Coal Corporation 2010 Medical Coverage News for Retired Employees (p. 8)</p> <p>Patriot Coal Corporation 2011 Enrollment for Retired Employees (p. 6)</p> <p>Patriot Coal Corporation 2012 Enrollment for Retired Employees (p. 7)</p>	<p>“The company reserves the right to amend or terminate the program in whole or in part at any time.”</p>

<p>Notification letter to West Virginia retirees, dated November 1995 (p. 4)</p> <p>Notification letter to St. Louis and Midwest retirees, dated November 1995 (p. 4)</p> <p>Notification letter to disabled employees, dated December 1995 (p. 4)</p>	<p>“The company reserves the right to amend or terminate the program in whole or in part at any time.”</p>
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IV. Patriot Medical Plan for Legacy Magnum Retirees

Name of Document	Reservation of Rights Language
<p>Arch Mineral Corporation Health Care Plan, dated September 1990 (p. 21, 22)</p> <p>Arch Mineral Corporation Salaried Employees Health Care Plan, dated September 1990 (pp. 21, 22)</p>	<p>“The Company may terminate or amend this Plan at any time.”</p> <p>“The Company reserves the right to terminate or amend this Plan at any time.”</p>
<p>Health Care Plan for Full-Time Employees, dated December 1992 (p. 29)</p>	<p>“The Company may terminate or amend this Plan at any time.”</p> <p>“Although the Company expects to continue this Plan, they reserve the right to terminate or amend it at any time.”</p>
<p>Your Benefits in Retirement for Full-Time Employees, dated December 1992 (p. 2)</p>	<p>“The company expects to continue the Plan but reserves the right to terminate or amend it at any time.”</p>
<p>Benefits After Retirement, dated January 1998 (p. 1)</p> <p>Benefits After Retirement, dated January 2001 (p. 1)</p>	<p>“The Retiree Welfare Benefit Program has been adopted with the intention that it will be continued for the benefit of present and future retirees of the Company. However, the Company reserves the right to terminate the Retiree Welfare Benefit Program, change the required contributions, or modify the Retiree Welfare Benefit Program, in whole or part, at any time and for any reason, including changes to any or all of the benefits provided. This may cause employees or retirees to lose all or a portion of their benefits under the Retiree Welfare Benefit Program. This means that an employee or a retiree does not have a lifetime right to any Retiree Welfare Benefit Program benefit or to the continuation of the Program simply because this Retiree Welfare Benefit Program is in existence at any time during or after the employee’s active employment.”</p>
<p>Benefits After Retirement, dated January 2004 (introduction; p. 1)</p>	<p>“To the fullest extent allowed by law, the Company reserves the right to change or terminate the Plan at any time. This booklet is not a guarantee of benefits or any employment contract of any kind.”</p> <p>“The Retiree Welfare Benefit Program has been adopted with the intention that it will be continued for the benefit of present and future retirees of the Company. However, the</p>

	<p>Company reserves the right to terminate the Retiree Welfare Benefit Program, change the required contributions, or modify the Retiree Welfare Benefit Program, in whole or part, at any time and for any reason, including changes to any or all of the benefits provided. This may cause employees or retirees to lose all or a portion of their benefits under the Retiree Welfare Benefit Program. This means that an employee or a retiree does not have a lifetime right to any Retiree Welfare Benefit Program benefit or to the continuation of the Program simply because this Retiree Welfare Benefit Program is in existence at any time during or after the employee's active employment."</p>
<p>Magnum Coal Company and Subsidiaries or Affiliates Welfare Plan, as amended and restated effective January 1, 2007 (p. 42)</p>	<p>"Except as provided in Section 11.3, the Company reserves the unlimited right to amend the Plan or any provision or component of the Plan in any way. No Covered Person by virtue of attaining any eligibility status shall be considered vested in any benefits provided under this Plan that cannot be modified by amendment. Any amendment to the Plan shall be in writing and shall be adopted by resolution of the Company's Board of Directors or by resolution of any committee or individual duly authorized and appointed by the Board of Directors."</p> <p>"Notwithstanding that the Plan is established with the intention that it be maintained indefinitely, the Company reserves the unlimited right to terminate or merge the Plan or any provision or component of the Plan. Any amendment to the Plan shall be in writing and shall be adopted by resolution of the Company's Board of Directors or by resolution of any committee or individual duly authorized and appointed by the Board of Directors or in accordance with the procedures provided in the applicable component program. Any decision to terminate or merge the Plan shall be in writing and shall be adopted by the Company in accordance with its normal procedures."</p> <p>[11.3] "Any amendment, termination or merger of the Plan shall be effective at such date as the Company shall determine and as set forth in the applicable adopting resolution except that no amendment, termination or merger shall reduce benefits payable for covered expenses incurred prior to the later of the date the amendment, termination or merger is effective or adopted, except as required or permitted by law."</p>
<p>Benefits After Retirement, dated January 2007 (introduction; p. 1)</p>	<p>"To the fullest extent allowed by law, the Company reserves the right to change or terminate the Plan at any time. This booklet is not a guarantee of benefits or any employment contract of any kind."</p> <p>"The Retiree Welfare Benefit Program has been adopted with the intention that it will be continued for the benefit of present and future retirees of the Company who were hired prior to May 1, 2006 at a location that was then eligible for the Program. Eligible locations are Hobet Mining, Catenary Coal and Apogee Coal. However, the Company reserves the right to terminate the Retiree Welfare Benefit Program,</p>

	<p>change the required contributions, or modify the Retiree Welfare Benefit Program, in whole or part, at any time and for any reason, including changes to any or all of the benefits provided. This may cause employees or retirees to lose all or a portion of their benefits under the Retiree Welfare Benefit Program. This means that an employee or a retiree does not have a lifetime right to any Retiree Welfare Benefit Program benefit or to the continuation of the Program simply because this Retiree Welfare Benefit Program is in existence at any time during or after the [sentence incomplete].”</p>
<p>Your Medical Benefits, dated January 2007 (introduction; p. 52)</p>	<p>“To the fullest extent allowed by law, the Company reserves the right to change or terminate the Plan at any time. This booklet is not a guarantee of benefits or any employment contract of any kind.”</p> <p>“The Company reserves the right to terminate the Plan, changed required contributions, or modify the Plan in whole or in part at any time or for any reason, including changes to any and all of the benefits provided. This may cause employees and/or retired employees to lose all or a portion of their benefits under the Plan. This means that an employee or a retired employee does not have a lifetime right to any Plan benefit or to continuation of the Plan simply because this Plan or specific benefit is in existence at any time during the employee’s employment or retirement.”</p>
<p>Patriot Salaried and Non-Represented Hourly Retiree Guide to Benefits After Retirement for Legacy Magnum Retirees, dated January 2010 (introduction; p. 67)</p>	<p>“The Company intends to maintain this plan for eligible retirees, but reserves the right to change or terminate the Plan at any time. This document is not a guarantee of benefits or an employment contract of any kind.”</p> <p>“This plan is adopted with the intention that it will be continued for the benefit of eligible present and future retirees of the Company and certain designated affiliates and subsidiaries. However, the Company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause retirees to lose all or a portion of their benefits under the plan. This means that a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment. This plan will comply with all requirements of the law and will be amended, if necessary, in order to meet any such requirements.”</p>
<p>Your Guide to Patriot Medical Benefit Plan for Legacy Magnum Retirees, dated January 2010 (introduction; p. 58)</p>	<p>“The Company intends to maintain this plan for eligible retired employees, but reserves the right to change or terminate the Plan at any time. This document is not a guarantee of benefits or an employment contract of any kind.”</p> <p>“The Plan is adopted with the intention that it will be continued for the benefit of eligible present and future retired employees of the Company and certain designated affiliates and subsidiaries. However, the Company reserves the right to terminate the Plan, change required contributions or</p>

	<p>modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause retired employees to lose all or a portion of their benefits under the Plan, but will not affect the right of any retired employee to be reimbursed for any covered expense that has already been incurred. This means that a retired employee cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time. This plan will comply with all requirements of the law and will be amended, if necessary, in order to meet any such requirements.”</p>
<p>Patriot Coal Corporation 2010 Medical Coverage News for Retired Employees (p. 7) Patriot Coal Corporation 2011 Enrollment for Retired Employees (p. 6) Patriot Coal Corporation 2012 Enrollment for Retired Employees (p. 6)</p>	<p>“The company reserves the right to amend or terminate the program in whole or in part at any time.”</p>

V. Eastern Associated Coal Corporation Medical, Dental and Life Insurance Benefits

Name of Document	Reservation of Rights Language
<p>Plan of Medical – Hospital Benefits for Retired Employees and Dependents, Coal Division, Eastern Gas and Fuel Associates, dated January 1, 1958 (p. 4) Plan of Medical – Hospital Benefits for Retired Employees and Dependents, Eastern Associated Coal Corp., dated July 1966 (p. 5)</p>	<p>“The Plan, which it is hoped will continue indefinitely, was arranged after careful study and thorough investigation. The Trustees reserve the right, however, to amend, change, add to, modify, or delete any or all of the provisions of the Plan, and may in their sole discretion terminate the Plan in whole or in part at any time, and in such event any reserve funds or existing funds in any amount thereof remaining after payment or providing for the payment of all proper expenses and accrued liabilities of the Plan shall be paid to the Company.”</p>
<p>Group Insurance Protection for Retired Employees of Eastern Associated Coal Corp. and Subsidiaries, dated 1973 (p. 30)</p>	<p>Refers to termination of coverage on “the date the plan is amended to terminate the insurance of a class of Employees of which you are a member.”</p>
<p>Eastern Associated Coal Corp. Medical, Dental and Life Insurance Benefits for Salaried Employees Retired Before March 1, 1990, dated August 1998 (introduction; p. 35)</p>	<p>“The company intends to maintain this plan for retired salaried employees, but reserves the right to change or end the plan at any time.” “The plan is adopted with the intention that it will be continued for the benefit of present retired employees of Eastern Associated Coal Corp. However, the company reserves the right to terminate the plan, change required contributions, or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause retirees to lose all or a portion of their benefits under the plan, but will not affect the</p>

	right of any retiree to be reimbursed for any covered expense that has already been incurred or to which he or she has already become entitled under the plan. This means that a retiree or surviving spouse cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”
Peabody Investment Corp and Affiliates Welfare Benefit Plan, effective February 18, 2005 (p. 9)	<p>“The Company and the Participating Employers do not assume continuation of the Plan or payment of their respective contributions with respect to the Plan or any Welfare Benefit Program as a contractual obligation. The Company reserves the right at any time to reduce, suspend or discontinue the Plan or any Welfare Benefit Program.”</p> <p>“The Company may amend, modify, change, revise, discontinue or terminate the entire Plan or any Welfare Benefit Program maintained under the Plan from time to time or at any time, without advance notice thereof, subject to any collective bargaining agreement between a Participating Employer and a collective bargaining unit.”</p>
Eastern Associated Coal Corp. Medical, Dental and Life Insurance Benefits for Salaried Employees Retired Before March 1, 1990, dated August 2004 (introduction; pp. 48-49)	<p>“The company intends to maintain this plan for retired salaried employees, but reserves the right to change or end the plan at any time.”</p> <p>“The plan is adopted with the intention that it will be continued for the benefit of present and future employees of the company. However, the company reserves the right to terminate the plan, initiate and/or change required contributions, or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee to be reimbursed for any covered expense that has already been incurred. This means that an employee cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”</p>

VI. Eastern Associated Coal Corporation Medical, Dental and Life Insurance Benefits for Salaried Employees Receiving Disability Benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan and Eligible Spouses of EACC Employees

Name of Document	Reservation of Rights Language
Eastern Associated Coal Corp. Health Care Plan, as amended through April 29, 1979	“The Company expects to continue the program, but reserves the right to terminate, suspend, withdraw, amend or modify

(p. 1)	the plan in whole or in part at any time.”
Eastern Associated Coal Corp. Health Care Plan, effective December 1, 1951, as amended through January 1, 1982 (p. 15)	“The Company hopes and expects to continue the program indefinitely; but necessarily reserves the right to change or discontinue the plan.”
Eastern Associated Coal Corp. Medical, Dental and Life Insurance Benefits for Salaried Employees Receiving Disability Benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan; Eligible Surviving Spouses of EACC Employees, dated August 1998 (introduction; p. 37)	<p>“The company intends to maintain this plan for salaried employees who are receiving disability benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan and certain surviving spouses of EACC employees, but reserves the right to change or end the plan at any time.”</p> <p>“The plan is adopted with the intention that it will be continued for the benefit of salaried employees who are eligible for disability benefits under the Eastern Gas and Fuel Associates Long-Term Disability Plan and certain surviving spouses. However, the company reserves the right to terminate the plan, change required contributions, or modify this plan in whole or in part at any time or for any reason, including changes in any and all benefits provided. This may cause disabled employees to lose all or a portion of their benefits under the plan, but will not affect the right of any retiree to be reimbursed for any covered expense that has already been incurred or to which he or she has already become entitled under the plan. This means that a disabled employee or surviving spouse cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during or after employment. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”</p>
Peabody Investment Corp and Affiliates Welfare Benefit Plan, effective February 18, 2005 (p. 9)	<p>“The Company and the Participating Employers do not assume continuation of the Plan or payment of their respective contributions with respect to the Plan or any Welfare Benefit Program as a contractual obligation. The Company reserves the right at any time to reduce, suspend or discontinue the Plan or any Welfare Benefit Program.”</p> <p>“The Company may amend, modify, change, revise, discontinue or terminate the entire Plan or any Welfare Benefit Program maintained under the Plan from time to time or at any time, without advance notice thereof, subject to any collective bargaining agreement between a Participating Employer and a collective bargaining unit.”</p>

VII. Diamond Shamrock Retirees Benefit Plan

Name of Document	Reservation of Rights Language
Your Benefits in Retirement, dated January 1, 1987 (p. 1)	“To the full extent permitted by law, Diamond Shamrock reserves the right to terminate or change any provision of this section at any time and for any reason as it applies to

	current, past, or future retirees and beneficiaries.”
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VIII. Catastrophic Group Health Plan for Salaried Employees Terminated Through a Reduction in Force

Name of Document	Reservation of Rights Language
<p>The Key to Medical Benefits, dated December 1995 (pp. 1, 47)</p> <p>The Key to Medical Benefits, dated January 2000 (pp. 1, 51)</p>	<p>“The company reserves the right to change or end the plan at any time.”</p> <p>“The company reserves the right to terminate the plan, change required contributions, or amend this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause participants to lose all or a portion of their benefits under the plan, but will not affect the right of any participant to be reimbursed for any covered expense that has already been incurred. The plan will comply with all requirements of law and will be changed, if necessary, in order to meet any such requirements.”</p>
<p>Summary Plan Description of the March 1998 Retirement Bridge Program: Employees Affected by the Wells Business Unit Work Force Reduction, dated March 1998 (p. 26)</p>	<p>“Your employer has reserved the right to terminate or modify in any manner the benefit coverage that is provided to active employees and retirees. If your employer modifies or terminates coverage for active employees or retirees, or both, your coverage will be terminated or modified in the same manner.”</p>
<p>Summary of material modification attached to January 2000 SPD (undated) (p. 3)</p>	<p>“The company reserves the right to amend or terminate the plan in whole ore [sic] in part at any time.”</p>
<p>Patriot Coal Corporation 2010 Medical Coverage News for Retired Employees (p. 5)</p> <p>Patriot Coal Corporation 2011 Enrollment for Retired Employees (p. 5)</p> <p>Special Catastrophic Patriot Coal Corporation 2012 Enrollment for Retired Employees (p. 4)</p>	<p>“The company reserves the right to amend or terminate the program in whole or in part at any time.”</p>

IX. Amherst Coal Company Employee Benefit Plan for Salaried Employees

Name of Document	Reservation of Rights Language
<p>Amherst Coal Company Employee Benefit Plan for Salaried Employees, effective June 1, 1982 (p. 63)</p>	<p>“The right is reserved in the Plan for the Plan Sponsor to terminate, suspend, withdraw, amend or modify the Plan in whole or in part at any time, subject to the applicable</p>

	provisions of the Group Policy.”
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X. Retiree Life Insurance Plans

Name of Document	Reservation of Rights Language
Peabody Group Health and Life Plan for Salaried Employees, dated March 1, 1990 (pp. O-1, O-9)	<p>“Peabody intends to maintain a benefit plan for salaried employees indefinitely, but reserves the right to amend or terminate any benefit at any time.”</p> <p>“The Plan is adopted with the intention that it shall be continued for the benefit of present and future Employees and Retired Employees of the Company; however, the right is reserved by Peabody to terminate, amend, change required contributions, or modify this Plan in whole or in part at any time or for any reason, including changes in any and all of the benefits herein provided. Such termination, amendment, change in required contributions or modification of the Plan may cause Employees and Retired Employees to lose all or a portion of their benefits under the Plan, but shall not affect the right of any Employee or Retired Employee to be reimbursed for any Covered Expense which has already been incurred or to which he or she has already become entitled under the Plan.”</p> <p>“This means that an Employee shall not acquire a lifetime right to any plan benefit or to the continuation of this plan merely by reason of the fact that such benefit or this plan is in existence at any time during the Employee's employment. Nor does it mean that a Retired Employee shall acquire a lifetime right to any plan benefit or to the continuation of this plan merely by reason of the fact that such benefit or this plan is in existence at any time during the Retired Employee's employment or at the time of the Retired Employee's retirement. This plan shall comply with all applicable requirements of the law and shall be amended, if necessary, in order to satisfy any such requirements.”</p>
General American Life Insurance Company Certificate of Coverage for Peabody Holding Company, Inc., as of January 1, 1996 (p. 26)	“The Plan Sponsor intends that this Plan will continue indefinitely, but reserves the right to amend, modify, revoke or terminate the Plan, in whole or in part, at any time.”
<p>Peabody Group Health and Life Plan for Salaried Employees, effective June 1, 1985, as amended and restated January 1, 1997 (Art. X, pp. 1-2)</p> <p>Peabody Group Health and Life Plan for Salaried Employees, effective June 1, 1985, as restated January 1, 2001 (Art. X, pp. 1-2)</p>	<p>“The Plan Administrator reserves the right at any time and from time to time to modify or amend the Plan, in whole or in part provided that no such amendment shall have the effect of reducing the amount of any benefit to which a Participant is entitled by reason of expenses incurred prior to the date on which such an amendment is adopted. Such action shall be taken through the action of the Plan Administrator's Board of Directors or of its duly-authorized delegate.”</p> <p>“The Plan Administrator reserves the right to terminate the</p>

	<p>Plan, in part or in its entirety, at any time. Such action shall be taken through the action of the Plan Administrator's Board of Directors or of its duly authorized delegate.”</p> <p>“An employee shall not acquire a lifetime right to any Plan benefit or to the continuation of this Plan merely by reason of the fact that such benefit or this Plan is in existence at any time during the employee’s employment. Nor shall a retired employee acquire a lifetime right to any Plan benefit or to the continuation of this Plan merely by reason of the fact that such benefit or this Plan is in existence at any time during the retired employee's employment or at the time of the retired employee's retirement. This Plan shall comply with all applicable requirements of the law and shall be amended, if necessary, in order to satisfy any such requirements.”</p>
<p>The Key to Life and AD&D Benefits, dated January 1995 (pp. 1, 23)</p> <p>The Key to Life and AD&D Benefits, dated January 1997 (pp. 1, 28)</p> <p>The Key to Life and AD&D Benefits, dated September 2002 (pp. 1, 32)</p>	<p>“The Company intends to maintain this plan for salaried employees, but reserves the right to change or end the plan at any time.”</p> <p>“The plan is adopted with the intention that it will be continued for the benefit of present, future and retired employees of the company. However, the company reserves the right to terminate the plan, change required contributions, or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees and retired employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee or retiree to be reimbursed for any covered loss that he or she has already incurred, or to which he or she has already become entitled under the plan. This means that an employee or a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee’s employment or retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.”</p>
<p>Peabody Investment Corp and Affiliates Welfare Benefit Plan, effective February 18, 2005 (p. 9)</p>	<p>“The Company and the Participating Employers do not assume continuation of the Plan or payment of their respective contributions with respect to the Plan or any Welfare Benefit Program as a contractual obligation. The Company reserves the right at any time to reduce, suspend or discontinue the Plan or any Welfare Benefit Program.”</p> <p>“The Company may amend, modify, change, revise, discontinue or terminate the entire Plan or any Welfare Benefit Program maintained under the Plan from time to time or at any time, without advance notice thereof, subject to any collective bargaining agreement between a Participating Employer and a collective bargaining unit.”</p>
<p>Appalachia Salaried Employee Guide to Basic, Supplemental and Dependent Life and Basic AD&D Benefits, dated July 2007 (introduction; p. 30)</p> <p>Peabody Salaried Employee Guide to</p>	<p>“The company intends to maintain this plan for eligible employees, but reserves the right to change or end the plan at any time.”</p> <p>“The plan is adopted with the intention that it will be continued for the benefit of present and future employees of</p>

<p>Basic, Supplemental and Dependent Life and Basic AD&D Benefits, dated July 2007 (introduction, p. 30)</p> <p>Patriot Salaried Employee Guide to Life and AD&D Benefits, dated November 2007 (introduction; p. 30)</p>	<p>the company. However, the company reserves the right to terminate the plan, change required contributions, or to modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee to be reimbursed for any covered expense that has already been incurred, or to which he or she has already become entitled under the plan. This means that an employee cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee's employment. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirement."</p>
<p>Patriot Guide to Retiree Life Insurance Benefits, dated January 2009 (introduction; p. 12)</p> <p>Patriot Salaried Retiree Guide to Benefits After Retirement, dated January 2010 (introduction; p. 73)</p> <p>Patriot Salaried and Non-Represented Hourly Retiree Guide to Benefits After Retirement for Legacy Magnum Retirees, dated January 2010 (introduction; p. 67)</p>	<p>"The Company intends to maintain this plan for eligible retirees, but reserves the right to change or terminate the Plan at any time. This document is not a guarantee of benefits or an employment contract of any kind."</p> <p>"This plan is adopted with the intention that it will be continued for the benefit of eligible present and future retirees of the Company and certain designated affiliates and subsidiaries. However, the Company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause retirees to lose all or a portion of their benefits under the plan. This means that a retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee's employment. This plan will comply with all requirements of the law and will be amended, if necessary, in order to meet any such requirements."</p>
<p>1997 Enrollment Guide (p. 30)</p> <p>2002 Enrollment Guide (back cover)</p> <p>2003 Enrollment Guide (back cover)</p> <p>2004 Enrollment Guide (back cover)</p> <p>2005 Enrollment Guide (back cover)</p> <p>2006 Enrollment Guide (p. 56)</p> <p>Midwest Region Salaried Employee Benefits 2006 Enrollment Guide (p. 49)</p> <p>Appalachia Region 2007 Benefits Enrollment Guide (p. 52)</p> <p>Appalachia Region Salaried Employees 2008 Enrollment Guide (p. 51)</p> <p>2009 Enrollment Guide (p. 35)</p> <p>2009 Dodge Hill Mining Co., LLC Hourly Employees Enrollment Guide (p. 36)</p> <p>2009 Grand Eagle Mining/Ohio County</p>	<p>"The company reserves the right to amend or terminate the program in whole or in part at any time."</p>

<p>Coal Company Hourly Employees Enrollment Guide (p. 35)</p> <p>Notification letter to West Virginia retirees, dated November 1995 (p. 4)</p> <p>Notification letter to St. Louis and Midwest retirees, dated November 1995 (p. 4)</p> <p>Notification letter to disabled employees, dated December 1995 (p. 4)</p>	
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Schedule 1
(Debtor Entities)

1. Affinity Mining Company
2. Apogee Coal Company, LLC
3. Appalachia Mine Services, LLC
4. Beaver Dam Coal Company, LLC
5. Big Eagle, LLC
6. Big Eagle Rail, LLC
7. Black Stallion Coal Company, LLC
8. Black Walnut Coal Company
9. Bluegrass Mine Services, LLC
10. Brook Trout Coal, LLC
11. Catenary Coal Company, LLC
12. Central States Coal Reserves of Kentucky, LLC
13. Charles Coal Company, LLC
14. Cleaton Coal Company
15. Coal Clean LLC
16. Coal Properties, LLC
17. Coal Reserve Holding Limited Liability Company No. 2
18. Colony Bay Coal Company
19. Cook Mountain Coal Company, LLC
20. Corydon Resources LLC
21. Coventry Mining Services, LLC
22. Coyote Coal Company LLC
23. Cub Branch Coal Company LLC
24. Dakota LLC
25. Day LLC
26. Dixon Mining Company, LLC
27. Dodge Hill Holding JV, LLC
28. Dodge Hill Mining Company, LLC
29. Dodge Hill of Kentucky, LLC
30. EACC Camps, Inc.
31. Eastern Associated Coal, LLC
32. Eastern Coal Company, LLC
33. Eastern Royalty, LLC
34. Emerald Processing, L.L.C.
35. Gateway Eagle Coal Company, LLC
36. Grand Eagle Mining, LLC
37. Heritage Coal Company LLC
38. Highland Mining Company, LLC
39. Hillside Mining Company
40. Hobet Mining, LLC
41. Indian Hill Company LLC
42. Infinity Coal Sales, LLC
43. Interior Holdings, LLC
44. IO Coal LLC
45. Jarrell's Branch Coal Company
46. Jupiter Holdings LLC
47. Kanawha Eagle Coal, LLC
48. Kanawha River Ventures I, LLC
49. Kanawha River Ventures II, LLC
50. Kanawha River Ventures III, LLC
51. KE Ventures, LLC
52. Little Creek LLC
53. Logan Fork Coal Company
54. Magnum Coal Company LLC
55. Magnum Coal Sales LLC
56. Martinka Coal Company, LLC
57. Midland Trail Energy LLC
58. Midwest Coal Resources II, LLC
59. Mountain View Coal Company, LLC
60. New Trout Coal Holdings II, LLC
61. Newtown Energy, Inc.
62. North Page Coal Corp.
63. Ohio County Coal Company, LLC
64. Panther LLC
65. Patriot Beaver Dam Holdings, LLC
66. Patriot Coal Company, L.P.
67. Patriot Coal Corporation
68. Patriot Coal Sales LLC
69. Patriot Coal Services LLC
70. Patriot Leasing Company LLC
71. Patriot Midwest Holdings, LLC
72. Patriot Reserve Holdings, LLC
73. Patriot Trading LLC
74. PCX Enterprises, Inc.
75. Pine Ridge Coal Company, LLC
76. Pond Creek Land Resources, LLC
77. Pond Fork Processing LLC
78. Remington Holdings LLC
79. Remington II LLC
80. Remington LLC
81. Rivers Edge Mining, Inc.
82. Robin Land Company, LLC
83. Sentry Mining, LLC
84. Snowberry Land Company
85. Speed Mining LLC
86. Sterling Smokeless Coal Company, LLC
87. TC Sales Company, LLC
88. The Presidents Energy Company LLC
89. Thunderhill Coal LLC
90. Trout Coal Holdings, LLC
91. Union County Coal Co., LLC
92. Viper LLC
93. Weatherby Processing LLC
94. Wildcat Energy LLC
95. Wildcat, LLC
96. Will Scarlet Properties LLC
97. Winchester LLC
98. Winifrede Dock Limited Liability Company
99. Yankeetown Dock, LLC