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:** **Sept. 17, 2013 at 4:00 p.m.** **(prevailing Central Time)** **Hearing Date (if necessary):** **Sept. 24, 2013 at 10:00 a.m.** **(prevailing Central Time)** **Hearing Location:** **Courtroom 7 North**

DEBTORS' NOTICE AND MOTION FOR ENTRY OF AN ORDER PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019 APPROVING SETTLEMENT AND AMENDMENT TO EQUIPMENT LEASE AND AUTHORIZING EXERCISE OF EARLY BUYOUT OPTION AS MODIFIED THEREIN

PLEASE TAKE NOTICE THAT this motion is scheduled for hearing on September 24, 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 SEPTEMBER 17, 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 Debtor's chapter 11 petitions.

MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019 APPROVING SETTLEMENT AND AMENDMENT TO EQUIPMENT LEASE AND AUTHORIZING EXERCISE OF EARLY BUYOUT OPTION AS MODIFIED THEREIN

Patriot Coal Corporation ("Patriot") and affiliate Eastern Associated Coal, LLC ("Eastern," and collectively with Patriot and its affiliates that are debtors and debtors in possession in these proceedings, the "Debtors") file this motion (the "Motion") for the entry of an order pursuant to section 363 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") approving Eastern's entry into a settlement agreement and amendment (the "Agreement")[2] to that certain amended and restated lease agreement entered into between U.S. Bank, National Association, as owner trustee, ("U.S. Bank") and Eastern, and authorizing Eastern to exercise the early buyout option as modified therein. In support of the Motion, the Debtors respectfully state as follows:

JURISDICTION

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408, 1409, and 1412.

BACKGROUND

A. The Chapter 11 Cases

2. 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 the cases to this Court [Docket No. 1789]. The

[2] A copy of the Agreement is attached hereto as **Appendix A**.

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. The Debtors' chapter 11 cases are being jointly administered pursuant to Rule 1015(b) of the Bankruptcy Rules and the SDNY Bankruptcy Court's *Order Directing Joint Administration of Chapter 11 Cases*, entered on July 10, 2012 [Docket No. 30].

3. On July 18, 2012, the United States Trustee for the Southern District of New York, pursuant to section 1102 of the Bankruptcy Code, appointed the official committee of unsecured creditors (the "Committee") to represent the interests of all unsecured creditors in these chapter 11 cases.

4. 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 [Docket No. 4].

B. **The Equipment Lease**

5. U.S. Bank, not in its individual capacity but solely as the owner trustee under the Trust Agreement (as defined below), and Eastern entered into that certain Amended and Restated Lease Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Equipment Lease") as of July 12, 2006, pursuant to which Eastern leased certain equipment (the "Equipment"). Banc of America Leasing & Capital, LLC ("Banc of America") is the owner participant and maintains one hundred percent of the beneficial interest in the owner trust created by that certain trust agreement dated as of July 15, 1986 (the "Trust Agreement"), which trust is the owner and lessor of the Equipment. The term of the Equipment Lease runs from July 12, 2006 through July 12, 2015, subject to the parties' renewal rights thereunder.

6. Eastern and U.S. Bank further entered into Facility Agreement 1 (as that term is defined in the Equipment Lease), Facility Agreement 2 (as that term is defined in the Equipment Lease), and those certain Sub-Subleases of even date thereof between U.S. Bank as grantor and Eastern as sub-sublessee ("Sub-Subleases") (the Equipment Lease, Facility Agreement 1, Facility Agreement 2, Sub-Subleases and all related documents, collectively, the "Lease Agreements").

7. Attached as Exhibit D to the Equipment Lease is the Guarantee (the "Guarantee") of Peabody Energy Corporation ("Peabody") dated as of July 12, 2006, pursuant to which Peabody guaranteed to U.S. Bank and Banc of America, among others, the full and prompt payment when due and the full and prompt performance of Liabilities (as that term is defined in the Guarantee) in connection with the Lease Agreements.

8. The Equipment is utilized in Eastern's operations at the Rocklick Prep Plant, located in Boone County in southern West Virginia. The Rocklick Prep Plant serves as a coal washing and preparation facility. The Rocklick Prep Plant is sourced by three company-operated underground mines: Black Oak, Gateway Eagle, and Farley Eagle. Both metallurgical coal and thermal coal can be processed and sold from this location. The Equipment includes (i) raw coal handling and storage facilities, (ii) coal preparation plant, (iii) clean coal handling and storage facility, (iv) refuse handling system, (v) railroad track system, and (vi) certain ancillary facilities.

9. An integral part of the Equipment Lease is the Lessee's Option to Purchase the Equipment (the "Early Buyout Option"). The Early Buyout Option provides Eastern with the right to purchase the Equipment on January 1, 2014 (the "EBO Date") for the fixed price of $3,672,136.75 (the "EBO Price").[3] If Eastern elects to exercise the Early Buyout Option, it is

[3] As described more fully below, pursuant to the Agreement, the EBO Price will be reduced by $1.2 million to $2,472,136.57 and will be paid by Eastern shortly after entry of the Order (as defined herein).

required to pay the EBO Price, as well as any Rent (as that term is defined in the Equipment Lease) outstanding as of the EBO Date and certain other costs (the "Total EBO Price").

10. On December 10, 2012, U.S. Bank filed a proof of claim (GCG Claim No. 1414) which asserts claims against Eastern in connection with the Lease Agreements (the "Owner Trustee Proof of Claim"). Also on December 10, 2012, Banc of America filed a proof of claim (GCG Claim No. 1420) which asserts claims against Eastern in connection with the Lease Agreements (the "Owner Participant Proof of Claim").

11. Banc of America submitted an invoice to Eastern dated December 19, 2012 in connection with the Equipment Lease (the "Invoice"). Pursuant to the terms of the Invoice, Eastern was required to pay Banc of America $2,480,526.45 on or before January 12, 2013.

12. Eastern paid Banc of America $1,186,044.07 in connection with the Invoice. This amount represented the portion of the rent relating to the period after the Petition Date, which Eastern was authorized to pay in the ordinary course pursuant to section 365(d)(5) of the Bankruptcy Code. Eastern did not pay the remaining $1,294,482.38 due under the Invoice (the "Rent Deficiency"), as that amount represented the portion of the rent due under the Invoice relating to the period prior to the Petition Date.

13. After receiving Eastern's partial payment of the Invoice, Banc of America contacted the Debtors about payment of the Rent Deficiency. The Debtors explained that they had prorated the amount due on the Invoice to correspond with the pre and postpetition periods, and that Eastern did not pay the Rent Deficiency because it believed it was not authorized to pay such a prepetition claim as a result of the Debtors' chapter 11 cases. Banc of America disagreed with this position and requested prompt payment of the Rent Deficiency.

14. On December 19, 2012, prior to the Invoice due date, the SDNY Bankruptcy Court transferred venue to this Court, and the genesis of the disagreement between Eastern and Banc of America as to whether Eastern could pay the Rent Deficiency in the ordinary course pursuant to section 365(d)(5) of the Bankruptcy Code is the split in authority among courts, including between courts in the Second and Eighth Circuits, on this subject. As explained more fully below, the Agreement avoids the uncertainty related to litigation of this issue because the Rent Deficiency will be paid as part of the exercise of the Early Buyout Option as modified by the Agreement.

15. Subsequently, the Debtors engaged in an analysis to evaluate, from a business and operational perspective, whether Eastern should retain the Equipment. The Debtors determined, in the exercise of their business judgment, that it would be advantageous for Eastern to purchase the Equipment, particularly if an agreement could be reached on more favorable economic terms than those contemplated by the Early Buyout Option. In considering their options, the Debtors determined that the reduction to the EBO Price afforded by the Agreement (as described more fully below) was significant enough such that purchasing the Equipment pursuant to an early buyout transaction was a prudent business decision.

16. Moreover, there remained the possibility that Banc of America and U.S. Bank would dispute whether Eastern was contractually entitled to exercise the Early Buyout Option, based on the position that the failure to pay the Rent Deficiency in a timely manner constituted an event of default under the Equipment Lease. Pursuant to the terms of the Equipment Lease, an event of default would have stripped Eastern of its right to exercise the Early Buyout Option. The Agreement also resolves this issue by providing for the exercise of the Early Buyout Option as modified therein.

17. The Debtors engaged in good-faith arm's-length negotiations with U.S. Bank and Banc of America in connection with modifying the Early Buyout Option and resolving the issues related to payment of the Rent Deficiency. As a result of their good-faith arm's length negotiations, Eastern, U.S. Bank and Banc of America have entered into the Agreement. In addition to preserving Eastern's right to purchase the Equipment pursuant to an early buyout arrangement, the Agreement amends the Equipment Lease to modify the terms of the Early Buyout Option (the "Modified Early Buyout Option") and resolve the issues involving the Rent Deficiency as follows:[4]

- Eastern will receive a $1.2 million discount to the EBO Price, reducing the EBO Price to $2,472,136.57 and resulting in a substantially lower Total EBO Price of $4,317,504.17 (the "Reduced EBO Price"). Further, the EBO Date will be modified such that the Reduced EBO Price is due and payable within five (5) business days of an order approving the Agreement and authorizing the Debtors' exercise of the Modified Early Buyout Option becoming a final order (the "Order");
- The Owner Trustee Proof of Claim and the Owner Participant Proof of Claim (which were filed as contingent, unliquidated claims) shall be disallowed and expunged upon the Order becoming a final order and the payments under the Agreement being made;
- The Debtors shall release U.S. Bank and Banc of America from all claims and obligations which arise from or relate to the Lease Agreements, including, without

[4] The following is intended to provide a summary of the salient terms of the Agreement; to the extent that the summary contained in this Motion is inconsistent with the actual terms of the Agreement, the Agreement shall control.

limitation, any avoidance actions under sections 544-550 of the Bankruptcy Code, upon the Order becoming a final order;

- Eastern shall have sole liability for personal property taxes in connection with the Equipment for the period commencing July 1, 2013 and for all periods thereafter;
- Upon the transfer of U.S. Bank's title in the Equipment, the Debtors shall be released from all obligations under the Equipment Lease with respect to any period after such transfer, provided that certain obligations (including indemnification obligations) which by their terms survive the termination of the Equipment Lease shall survive.

18. The Agreement contains additional terms and conditions which are not set forth above. Accordingly, the Debtors have attached a copy of the Agreement as Appendix A, and encourage review of the Agreement in an individual capacity.

19. In connection with the negotiation of the Agreement and the Rent Deficiency, Banc of America was also involved in discussions with Peabody regarding its obligations under the Guarantee.[5] To protect the benefits to Eastern under the Agreement and otherwise, Eastern has obtained a side letter from Peabody (the "Side Letter").[6] Pursuant to the Side Letter, Peabody waived and released certain claims against Eastern, including claims for subrogation, indemnification, contribution and setoff, in connection with the Lease Agreements. The purpose of the Side Letter is to prevent Eastern from losing its benefit under the Agreement by precluding Peabody from asserting claims against Eastern for indemnification or otherwise to the extent that

[5] Under the Separation Agreement, Plan of Reorganization and Distribution by and between Peabody and Patriot dated as of October 22, 2007 (the "Separation Agreement"), Peabody has indemnification rights against the Debtors for amounts paid pursuant to certain guaranties, including the Guarantee.
[6] A copy of the Side Letter is attached hereto as **Appendix B**.

U.S. Bank or Banc of America receive any payment from Peabody related to the $1.2 million discount to the EBO Price under the Modified Early Buyout Option.

RELIEF REQUESTED

20. By this Motion, the Debtors seek entry of an order approving the Agreement between Eastern, U.S. Bank, and Banc of America and authorizing Eastern to exercise the Modified Early Buyout Option as specified therein.

BASIS FOR RELIEF

A. Section 363 of the Bankruptcy Code

21. As noted above, the Agreement modifies certain provisions of the Equipment Lease. The Debtors believe that the entry into the Agreement and the exercise of the Modified Early Buyout Option are transactions within the ordinary course of the Debtors' business. Nonetheless, out of an abundance of caution, the Debtors seek authorization pursuant to section 363(b) of the Bankruptcy Code to enter into the Agreement and exercise the Modified Early Buyout Option.

22. Section 363(b)(1) of the Bankruptcy Code provides that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1) (2006). For a transaction out of the ordinary course of business to be approved pursuant to section 363(b) of the Bankruptcy Code, it must represent a reasonable exercise of the debtor's business judgment. *See, e.g.*, *In re Channel One Commc'ns, Inc.*, 117 B.R. 493, 496 (Bankr. E.D. Mo. 1990) (citing *In re Lionel Corp.*, 722 F.2d 1063, 1071 (2d Cir. 1983)).

23. Here, the Debtors have sound business reasons for exercising the Modified Early Buyout Option in accordance with the Agreement. After reviewing the operating and financial

costs associated with the Rocklick Prep Plant and the Early Buyout Option, the Debtors, in the sound exercise of their business judgment, have elected to modify and exercise the Early Buyout Option. The Equipment is essential to maintaining the Debtors' operations at the Rocklick Prep Plant, which will continue to form an important component of the Debtors' overall operations going forward. The Modified Early Buyout Option allows the Debtors to purchase the Equipment at a substantial discount, as reflected in the Reduced EBO Price. The Debtors in exercising their business judgment do not believe that the modification of the EBO Date will have any meaningful adverse impact on their liquidity position, or otherwise. Furthermore, any adverse impact that may result would be outweighed by the significant economic benefits the Debtors are receiving by agreeing to the Modified Early Buyout Option.

24. Thus, the Debtors have determined that entering into the Agreement and exercising the Modified Early Buyout Option 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.

25. Accordingly, the Debtors respectfully submit that they have satisfied the business judgment standard required under section 363(b) of the Bankruptcy Code for approval of the Agreement and to proceed with the exercise of the Modified Early Buyout Option as detailed in the Agreement. For these reasons, this Motion should be granted.

B. Bankruptcy Rule 9019

26. Because the Agreement provides for the settlement and compromise of claims pursuant to mutual releases among the Debtors, U.S Bank and Banc of America (the "Released Claims"), the Debtors are seeking approval of the Agreement under Bankruptcy Rule 9019.

27. Bankruptcy Rule 9019(a) permits a debtor in possession to compromise and settle claims, subject to approval by the bankruptcy court. Fed. R. Bankr. P. 9019(a). The decision to approve a particular settlement lies within the sound discretion of the bankruptcy court. *In re Racing Servs., Inc.*, 332 B.R. 581, 586 (B.A.P. 8th Cir. 2005) (citing *Drexel, Burham, Lambert, Inc. v. Flight Trans. Corp. (In re Flight Trans. Corp. Sec. Litig.)*, 730 F.2d 1128, 1135 (8th Cir. 1984)). "[T]he debtor-in-possession's judgment in recommending a settlement should not be substituted as long as the settlement is reasonable." *In re Apex Oil Corp.*, 92 B.R. 847, 867 (Bankr. E.D. Mo. 1988).

28. The Court should consider the following four factors in exercising its discretion and determination on the reasonableness of the settlement: (l) probability of success in litigation; (2) difficulties, if any, in collecting any judgment that might be rendered; (3) complexity of the litigation involved and the expense, inconvenience, and delay attendant to the litigation; and (4) the paramount interests of the creditors with proper deference to their reasonable views. *Racing Servs.*, 332 B.R. at 586 (citations omitted). The Court should consider and evaluate the factors to determine whether the settlement fits within the range of reasonableness. *Velde v. First Int'l Bank & Trust (In re Y-Knot Constr., Inc.)*, 369 B.R. 405, 408 (B.A.P. 8th Cir. 2007). The Debtors, however, "[do] not need to establish that the proposed settlement is the best possible outcome, but only that it does not fall below the lowest point in the range of reasonableness." *Id.* (citing *Martin v. Cox (In re Martin)*, 212 B.R. 316, 319 (B.A.P. 8th Cir. 1997)).

29. The Debtors submit that the Agreement represents a fair and equitable resolution, which falls well within the range of reasonableness. In fact, the Debtors believe that the Agreement is extremely beneficial to the Debtors and their estates.

30. The first and third factors, respectively, the probability of success in litigation and the expense and other costs of litigation, weigh in favor of settlement. While the exact costs and level of complexity that would be involved in litigating the Released Claims is unknown at this time, given the inherent uncertainty of litigation in general, the Debtors believe that approval of the Agreement is warranted under Bankruptcy Rule 9019.

31. Further, the final factor regarding the paramount interests of the creditors and proper deference to their reasonable views also weighs in favor of the proposed settlement. Under the Agreement, the benefits to the Debtors' estates include without limitation: (i) a $1.2 million reduction to the EBO Price; and (ii) the disallowance and expungement of the Owner Trustee Proof of Claim and the Owner Participant Proof of Claim. Each of these results is beneficial to the interests of the Debtors' estates. Moreover, the proposed Agreement is beneficial to the Debtors' estates and their stakeholders because the Debtors' creditors necessarily would incur some of the negative consequences of any ongoing litigation with one of the Debtors' equipment lessors, including professional fees incurred by the estates. Accordingly, the Debtors believe that the Agreement is fair and equitable and within the best interests of the Debtors' estates and their creditors.

32. In sum, the Debtors have determined, exercising their sound business judgment, that the Agreement is fair, reasonable, and beneficial to the Debtors' estates and their stakeholders. The Agreement is in the best interests of the Debtors' creditors, and the paramount interests of all parties are best served by the Court's approval thereof.

33. The Debtors therefore submit that the Agreement represents a resolution that falls well above the lowest point in the range of reasonableness. Accordingly, the Debtors respectfully request that the Court approve the Agreement pursuant to Bankruptcy Rule 9019.

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

34. 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

35. 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, contract or lease under section 365 of the Bankruptcy Code. The Debtors expressly reserve their rights to contest any claim of U.S. Bank or Banc of America under applicable non-bankruptcy law. Likewise, if the Court grants the relief sought herein, any payment made pursuant to the Court's order 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

36. Consistent with the *Order Establishing Certain Notice, Case Management and Administrative Procedures* entered on March 22, 2013 [Docket No. 3361] (the "Case Management Order"), the Debtors will serve notice of this Motion on the Core Parties (as defined in the Case Management Order), U.S. Bank and Banc of America. 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 www.patriotcaseinfo.com). A copy of the Proposed Order will be provided to the Core Parties, U.S. Bank and Banc of

America, and will be 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 Previous Request

37. No previous request for the relief sought herein has been made by the Debtors in this or any other court.

[*Remainder of page intentionally left blank.*]

WHEREFORE, the Debtors respectfully request that the Court (i) issue an Order approving the Agreement between Eastern, U.S. Bank and Banc of America and authorizing Eastern to exercise the Modified Early Buyout Option as specified therein, and (ii) grant such other and further relief as is just and proper.

Dated: August 13, 2013
New York, New York

Respectfully submitted,

CURTIS, MALLET-PREVOST, COLT & MOSLE LLP

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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

Appendix A

[Executed Settlement and Amendment to Amended and Restated Lease Agreement
Dated as of July 12, 2006]

EXECUTION COPY

Settlement
and
Amendment to
Amended and Restated Lease Agreement
Dated as of July 12, 2006

THIS SETTLEMENT AND AMENDMENT (this "Agreement") TO AMENDED AND RESTATED LEASE AGREEMENT DATED AS OF JULY 12, 2006 between **U.S. Bank National Association** (successor in interest to The Connecticut Bank and Trust Company) not in its individual capacity but solely as owner trustee ("Owner Trustee"), **Banc of America Leasing & Capital, LLC**, as owner participant ("Owner Participant") and **Eastern Associated Coal, LLC** ("Lessee," and together with the Owner Trustee and Owner Participant, the "Parties") is entered into this 5th day of August, 2013.

RECITALS:

A. Owner Trustee, as Lessor, and Lessee, as Lessee, entered into that certain Amended and Restated Lease Agreement dated as of July 12, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "Lease"[1]).

B. Lessee and Owner Trustee further entered into (i) that certain Facility Agreement and Site Sublease No. 1 dated as of October 10, 1986 with Lessee as Grantor and Owner Trustee as sub-lessee of certain premises (including all exhibits and schedules thereto, as amended, restated, supplemented or otherwise modified from time to time, "Sublease 1"), (ii) that certain Facility Agreement and Site Sublease No. 2 dated as of October 10, 1986 with Lessee as Grantor and Owner Trustee as sub-lessee of certain premises (including all exhibits and schedules thereto, and as amended, restated, supplemented or otherwise modified from time to time,

[1] For the avoidance of doubt, the Lease does not include the executed Guarantee, the Tax Indemnity Agreement, and the General Indemnity Agreement, attached to the Lease as Exhibits D, E, and F, respectively.

"Sublease 2"), and (iii) those certain Sub-Subleases of even date thereof between Owner Trustee as Grantor and Lessee as sub-sublessee for the premises for Site 1 and Site 2 described in Sublease 1 and Sublease 2 ("Sub-Subleases") (the Lease, Sublease 1, Sublease 2, Sub-Subleases and all related documents, collectively, the "Lease Agreements").

C. The Lease Agreements relate to certain equipment described in Schedule 1 to the Lease (collectively, the "Equipment").

D. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Lease Agreements.

E. Owner Participant, as successor owner participant, maintains one hundred percent (100%) of the beneficial interest in the Owner Trust created by that certain Trust Agreement dated as of July 15, 1986 (including all exhibits and schedules thereto, as amended, restated, supplemented or otherwise modified from time to time).

F. On July 9, 2012 (the "Petition Date"), Lessee and its jointly administered affiliates and co-debtors (collectively with the Lessee, the "Debtors") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, as amended (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York commencing bankruptcy cases which are being jointly administered in the United States Bankruptcy Court for the Eastern District of Missouri (the "Bankruptcy Court") under the case captioned *In re Patriot Coal Corp, et al.*, Case No. 12-51502-659 (collectively, the "Bankruptcy Cases").

G. On December 10, 2012, Owner Trustee filed a proof of claim (GCG Claim No. 1414) (the "Owner Trustee Proof of Claim") which asserts claims against Lessee in connection with the Lease Agreements.

H. On December 10, 2012, Owner Participant filed a proof of claim (GCG Claim No. 1420) (the "Owner Participant Proof of Claim") which asserts claims against Lessee in connection with the Lease Agreements.

I. Lessee did not pay $1,294,482.38 of Rent due as of January 12, 2013 (the "Rent Deficiency") because this amount related to the period prior to the Petition Date, and Lessee asserted that it was prohibited from paying such amount as a result of the Bankruptcy Cases. Owner Trustee and Owner Participant disagree with this position and have demanded immediate payment of the Rent Deficiency.

J. Section 22(e) of the Lease provides for an Early Buyout Option (the "EBO"). The EBO provides that it is exercisable, if at all, no earlier than January 1, 2014, and then only so long as no Default or Event of Default exists. Owner Trustee and Owner Participant assert that Lessee's failure to pay the Rent Deficiency constitutes an Event of Default and as a result the EBO has lapsed and Lessee no longer has the right to exercise the EBO.

K. The Parties entered into good-faith arm's-length negotiations to resolve the Rent Deficiency and other outstanding issues between them.

L. As a result of these negotiations, and the Lessee believing it to be in the best interest of the Debtors' estates, the Parties have agreed that Lessee will exercise the EBO on

modified terms and conditions as set forth in this Agreement, which terms and conditions include a $1.2 million reduction in the EBO Price to be paid by Lessee.

NOW THEREFORE, in consideration of the foregoing, and the agreement, premises and covenants set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Payments Pursuant to this Agreement. Lessee shall be allowed to terminate the Lease Agreements and purchase the Equipment in exercise of the EBO upon compliance with all terms of this Agreement and payment of the following amounts in immediately available funds to Owner Participant as set forth in the following schedule:

> Within five (5) business days of the Order (as defined in Section 5 below) becoming a Final Order (as defined in Section 5 below), Lessee shall pay the total amount of $4,317,504.17, consisting of:
>
> (1) $1,294,482.38 (the Rent Deficiency);
>
> (2) $2,472,136.57 (the EBO Price less the $1.2 million reduction agreed upon by the Parties);
>
> (3) payment of the property taxes for the periods of (a) July 1, 2012 to June 30, 2013 due October, 2013 in the amount of $210,729.06 and (b) July 1, 2013 to June 30, 2014 (estimated to be $189,656.16) deposited in escrow with Bank of America, N.A. (pursuant to an escrow agreement agreed to by the Parties) pending due date; after receipt of the funds from the escrow, Owner Participant will pay to the relevant taxing authorities when due;
>
> (4) reasonable attorneys' fees and expenses incurred by Owner Trustee and Owner Participant relating to the Lease Agreements, this Agreement and Bankruptcy Court approval therefor in the amount of $110,500; and
>
> (5) interest on the Rent Deficiency through the date of payment in the amount of **[$40,000 to be increased if delayed further]**.

Payments shall be made via wire transfer to Owner Participant to the bank account set forth in Exhibit A.

2. Previous Paid Rent. All Rent and other amounts previously paid to Owner Trustee and Owner Participant shall be retained by Owner Trustee and Owner Participant without disgorgement, setoff or recoupment against the amounts set forth in Section 1 hereof or any other amounts.

3. Personal Property Taxes and Other Taxes. Owner Participant shall file and pay on behalf of Lessee (utilizing the escrowed funds referred to in Section 1(3)(b) above) the personal property taxes in connection with the Equipment for the period of July 1, 2013 through June 30, 2014, provided that Lessee shall be liable for any such tax payments which exceed the amounts deposited into escrow pursuant to Section 1(3)(b) above. Notwithstanding the forgoing, neither Owner Trustee nor Owner Participant shall have any liability in connection with such taxes. Effective as of the period commencing July 1, 2014, and for all periods thereafter, Lessee shall be solely responsible for filing and paying personal property taxes in connection with the Equipment, and neither Owner Trustee nor Owner Participant shall have any liability in connection with such taxes. Lessee shall ensure that the Order (as that term is defined in Section 5 below) explicitly provides that Owner Trustee and Owner Participant have no liability with respect to such taxes. Promptly following the transfer of the Equipment to Lessee hereunder, Owner Participant shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take all such action as the Lessee may reasonably request in order to update the records of the relevant taxing authorities to show that Lessee is the record owner of the Equipment. Further, Lessee shall be responsible for all transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest) relating to the transaction set forth in this Agreement. For the avoidance of doubt, Lessee, Owner Trustee and Owner Participant acknowledge and agree that Lessee shall have no

responsibility for taxes imposed upon Owner Trustee or Owner Participant that are based upon or measured by or with respect to the net income or net receipts, profits, gains, capital or net worth (including any minimum or alternative minimum taxes or taxes on, measured by or in the nature of taxes imposed in lieu of net income taxes).

4. Transfer of Equipment to Lessee; Termination of Lease Agreements. Promptly after timely receipt of all amounts due Owner Trustee and Owner Participant as provided for hereunder, including without limitation under Section 1 hereof, Owner Trustee shall, WITHOUT RECOURSE OR WARRANTY OF ANY KIND (except as to the absence of any Lessor Liens), sell, transfer and assign Owner Trustee's right, title and interest in and to the Equipment, on an "AS IS, WHERE IS" and "WITH ALL FAULTS" basis to Lessee. Upon the transfer of Owner Trustee's right, title and interest as provided in the preceding sentence, the Lease Agreements shall terminate and be of no further force and effect, and all obligations of the Debtors, including without limitation the obligation to pay Rent for the Equipment, shall be discharged and satisfied in full with respect to any period after such transfer, provided, however that any of Lessee's obligations in the Lease Agreements which by their terms survive the termination of the Lease Agreements shall survive such termination, including without limitation any obligations of Lessee to indemnify Owner Trustee or Owner Participant, but excluding, for the avoidance of doubt, any claim related to the $1.2 million reduction to the EBO Price agreed upon by the Parties. Lessee shall be solely responsible, at Lessee's expense, for obtaining any consents required for the sale, transfer and assignment of the Equipment and for the termination of the Lease Agreements or any related agreements.[2]

[2] Peabody Energy Corporation ("Peabody") executed a Guarantee dated as of July 12, 2006 in connection with the Lease Agreements, which was included as Exhibit D to the Lease. Prior to the Parties' execution of the Agreement,

5. Prompt Motion for Court Approval. Within five (5) business days after the execution of this Agreement by the Parties, or as soon thereafter as practicable, the Debtors shall file a motion (the "Motion") in a form reasonably acceptable to Owner Trustee and Owner Participant seeking an order authorizing and approving this Agreement (the "Order"). In the event that the Order does not become a Final Order (as defined below), and the payments set forth in Section 1 hereof are not made on or before September 30, 2013, this Agreement shall become null and void, of no force and effect, and inadmissible in any subsequent proceeding (*provided however*, that, in the event the Motion has been fully briefed and the Bankruptcy Court has taken the Motion under advisement but no Order has been entered, such date shall be deemed extended by 30 days, and provided further that such date may be extended by agreement in writing of all Parties). For the purposes of this Section 5, the Order shall become a "Final Order" if it has not been reversed, stayed, modified, amended or vacated and if (a) any appeal taken, petition for certiorari or motion for rehearing or reconsideration that has been filed, has been finally determined or dismissed or (b) the time to appeal, seek certiorari or move for reconsideration or rehearing has expired and no appeal, petition for certiorari or motion for reconsideration or rehearing has been timely filed.

6. Release of Owner Trustee and Owner Participant. Upon the Order becoming a Final Order, and in further consideration of Owner Trustee's and Owner Participant's execution of this Agreement, Debtors, individually and on behalf of their respective successors (including,

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Peabody and the Lessee entered into a letter agreement dated July 30, 2013, whereby Peabody waived and released any subrogation, indemnification, contribution or setoff claim, and any similar claim for reimbursement or otherwise, whether under the Separation Agreement, Plan of Reorganization and Distribution by and between Peabody and Patriot Coal Corporation dated as of October 22, 2007 (the "Separation Agreement") or any other agreement between the parties or applicable law, which Peabody may have against Lessee for the Rent Deficiency, the $1.2 million reduction to the EBO Price, and interest, attorneys' fees, and expenses chargeable under the Lease Agreements, other than the interest, attorneys' fees and expenses chargeable under the Lease Agreements that Lessee has agreed to pay under this Agreement, to the extent such amounts are not paid by Lessee.

without limitation, any trustees acting on their behalf), assigns, subsidiaries and affiliates, hereby forever release Owner Trustee and Owner Participant and their respective successors, assigns, parents, subsidiaries, affiliates, officers, employees, agents and attorneys (collectively, the "Releasees") from any and all debts, claims, demands, liabilities, responsibilities, disputes, causes, damages, actions and causes of actions (whether at law or in equity) and obligations of every nature whatsoever, whether liquidated or unliquidated, whether known or unknown, matured or unmatured, fixed or contingent (collectively, "Claims") that Debtors may have against the Releasees which arise from or relate to the Lease Agreements, including, without limitation, any avoidance actions under Sections 544-550 of the Bankruptcy Code; provided however this Release shall not affect the obligations of Owner Trustee or Owner Participant under this Agreement.

7. Disallowance and Expungement of Claims. Upon the Order becoming a Final Order and the payments being made as required under Section 1 hereof, the Owner Trustee Proof of Claim and the Owner Participant Proof of Claim shall each be disallowed and expunged, and the claims agent appointed in the Bankruptcy Cases shall be authorized to reflect this disposition on the claims register.

8. No Assumption or Reaffirmation. For the avoidance of doubt, this Agreement and the performance of the obligations provided hereunder shall not constitute the assumption or post-petition reaffirmation of any agreement, nor preclude the Lessee from contesting or objecting to any claim of the Owner Trustee or Owner Participant; provided however, that in the event that the Lease is rejected under Section 365 of the Bankruptcy Code, notwithstanding such rejection any surviving obligations described in Section 4 of this Agreement shall survive as a post-petition administrative claim obligation of Lessee.

9. Further Assurances. Each of the Parties agree to execute and deliver, or cause to be executed and delivered, all such instruments, and take all such action as the other Parties may reasonably request to effectuate the intent and purposes of, and to carry out the terms of, this Agreement.

10. Amendments. No amendment or modification of any provision of this Agreement shall be effective without the written agreement of Lessee, Owner Trustee and Owner Participant.

11. Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon Lessee, Owner Trustee and Owner Participant and their respective successors and assigns, and no other person shall have any right, benefit or interest under or because of the existence of this Agreement or the Lease Agreements.

12. Section Titles. The Section titles contained in this Agreement are included for the sake of convenience only, shall be without substantive meaning or content of any kind whatsoever, and are not a part of the agreement among the parties.

13. No Other Amendments. Except as specifically provided in this Agreement, no other amendments, revisions or changes are made to the Lease Agreements.

14. Governing Law. This Agreement has been negotiated, executed and delivered at and shall be deemed to have been made in the State of New York. This Agreement and the Lease Agreements shall be governed by and construed in accordance with the internal laws of the State of New York.

15. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Electronic signatures to this Agreement shall have the same force and effect as original signatures.

16. Integration. This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written negotiations, agreements and understandings of the parties with respect to the subject matter hereof, except the agreements embodied in the Lease Agreements (as modified herein).

17. No Admissions. The Parties hereto agree that neither this Agreement, nor any actions taken by the Parties hereto, either previously or in connection with the compromise reflected in this Agreement, shall be deemed or construed to be an admission of the truth or falsity of any matter or any claim, demand, or cause of action referred to herein or relating to the subject matter of this Agreement, or any defense asserted thereto, or evidence of any violation of any statute or law or any liability or wrongdoing by any party, or any acknowledgment by them of any fault or liability to any party hereto.

18. Full Authority. Each of the Parties represents that its signatory below has the full authority to execute, deliver and fully perform this Agreement and is fully authorized to bind it to all the terms and conditions of this Agreement.

19. Waiver. No term or condition of this Agreement shall be deemed to have been waived by conduct, nor shall there be an estoppel against the enforcement of any provision of this Agreement, except by a writing signed by the Party charged with the waiver or estoppel. No

waiver of any breach of this Agreement shall be deemed a waiver of any later breach of the same provision or any other provision of this Agreement.

20. Construction. The Parties acknowledge that they and their respective counsel have reviewed this Agreement in its entirety and have had a full and fair opportunity to negotiate its terms. Each Party therefore waives all applicable rules of construction that any provision of this Agreement should be construed against its drafter, and agrees that all provisions of this Agreement shall be construed as a whole, according to the fair meaning of the language used.

21. Choice of Forum. The Parties agree that any action arising from or related to the enforcement or implementation of this Agreement shall be brought in the Bankruptcy Court for the Eastern District of Missouri, or, if the Court refuses to hear the matter, in the United States District Court for the Eastern District of Missouri, until such time as the Bankruptcy Cases have been closed, at which point any action arising from or related to the enforcement or implementation of this Agreement shall be brought in the United States District Court for the Southern District of New York. The Parties hereby submit themselves to the exclusive jurisdiction of those courts to the fullest extent permissible by law.

22. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision had been omitted.

23. Notices. Any communication concerning this Agreement shall be made by hand delivery or email. Such notices shall be deemed to have been given upon such hand delivery or email properly sent. Such notice shall be hand delivered or emailed to:

If to the Owner Trustee:

U.S. Bank National Association
Corporate Trust Services
Mailcode: EX-MA-FED
One Federal Street, 3rd Floor
Boston, MA 02110
Attn: Todd DiNezza
E-mail: todd.dinezza@usbank.com

with a copy to:

Vedder Price
Attorneys for U.S. Bank National Association
1222 North LaSalle Street
Chicago, IL 60601
Attn: Doug Lipke, Esq.
E-mail: dlipke@vedderprice.com

If to the Lessee:

Eastern Associated Coal, LLC
12312 Olive Blvd., Suite 400
St. Louis, MO 63141
Attn: Treasurer

with a copy to:

Curtis, Mallet-Prevost, Colt & Mosle LLP
Attorneys for the Debtors
101 Park Avenue
New York, NY 10178
Attn: Steven J. Reisman, Esq.
E-mail: sreisman@curtis.com

If to the Owner Participant:

Banc of America Leasing & Capital, LLC
One Financial Plaza
Mail Stop RI 1-537-02-01
Providence, RI 02903-2448
Attn: David W. Parr
E-mail: david.w.parr@bankofamerica.com

with a copy to:

Vedder Price
Attorneys for U.S. Bank National Association
1222 North LaSalle Street
Chicago, IL 60601
Attn: Doug Lipke, Esq.
E-mail: dlipke@vedderprice.com

If a party wishes to change its addressee above, such party shall send written notice via any of the above methods to the other parties' designees above, and provide a mail address and email address for the new designee.

24. Time is of the Essence. Time is of the essence of this Agreement and of the Lease Agreements.

* * * * * *

[signatures follow]

BANC OF AMERICA LEASING &
CAPITAL, LLC, as Owner Participant

By:_____
Name:
Its:

EASTERN ASSOCIATED COAL, LLC, as
Lessee

By:_____
Name: B. Scott Schleiss-Wheeler
Its: Vice President & Treasurer

U.S. BANK NATIONAL ASSOCIATION,
not in its individual capacity, but solely as
Owner Trustee

By:_____
Name:
Its:

BANC OF AMERICA LEASING & CAPITAL, LLC, as Owner Participant

By: Stuart R Schwartz
Name: Stuart R. Schwartz
Its: Senior Vice President

EASTERN ASSOCIATED COAL, LLC, as Lessee

By:_____
Name:
Its:

U.S. BANK NATIONAL ASSOCIATION, not in its individual capacity, but solely as Owner Trustee

By:_____
Name:
Its:

BANC OF AMERICA LEASING & CAPITAL, LLC, as Owner Participant

By:_____
Name:
Its:

EASTERN ASSOCIATED COAL, LLC, as Lessee

By:_____
Name:
Its:

U.S. BANK NATIONAL ASSOCIATION, not in its individual capacity, but solely as Owner Trustee

By: Carolina D'Altomare
Name: Carolina D. Altomare
Its: Vice President

EXHIBIT A to
Settlement
and
Amendment to
Amended and Restated Lease Agreement
Dated as of July 12, 2006

Instructions for wire transfers pursuant to the Agreement:
Bank of America, N.A., Charlotte, NC
Banc of America Leasing & Capital, LLC
ABA #0260-0959-3
Acct # 12334-01992
Attn: K. Anne Peavler
Re: Eastern Associated Coal 1657200

Appendix B

[Signed Peabody Letter Dated July 30, 2013]

PEABODY ENERGY
Peabody Plaza
701 Market Street
St. Louis, MO 63101-1826
314.342.3400

July 30, 2013

Eastern Associated Coal, LLC
12312 Olive Blvd., Suite 400
St. Louis, MO 63141
Attention: Scott Schutzenhofer
sschutzenhofer@patriotcoal.com

Re: Amended and Restated Lease Agreement dated as of July 12, 2006 (including all exhibits and schedules thereto, as amended, restated supplemented or otherwise modified from time to time, the "Lease") with Eastern Associated Coal, LLC, as Lessee ("Eastern Coal") and U.S. Bank National Association, as Lessor, not in its individual capacity and solely as the owner trustee ("Owner Trustee") under the Trust Agreement, dated as of July 15, 1986, with Banc of America Leasing & Capital, LLC ("BALC");

Facility Agreement and Site Sublease No. 1 dated as of October 10, 1986 with Eastern Coal, as Grantor, and Owner Trustee as sub-lessee of certain premises (including all exhibits and schedules thereto, as amended, restated, supplemented or otherwise modified from time to time, ("Sublease 1"));

Facility Agreement and Site Sublease No. 2 dated as of October 10, 1986 with Eastern Coal as Grantor and Owner Trustee as sub-lessee of certain premises (including all exhibits and schedules thereto, and as amended, restated, supplemented or otherwise modified from time to time, ("Sublease 2"));

Sub-Subleases between Owner Trustee as Grantor and Eastern Coal as sub-sublessee for the premises for Site 1 and Site 2 described in Sublease 1 and Sublease 2 ("Sub-Subleases") (the Lease, Sublease 1, Sublease 2, Sub-Subleases and all related documents, collectively, the "Lease Agreements");

Guarantee dated as of July 12, 2006 ("Guarantee"), as supplemented and amended, by Peabody Energy Corporation ("Peabody") in favor of BALC, which is included as "Exhibit D" to the Lease.

Dear Mr. Schutzenhofer:

We understand that Eastern Coal and BALC have agreed to enter into that certain Settlement and Amendment to Amended and Restated Lease Agreement pursuant to which Eastern Coal will purchase the equipment under the Lease, by exercising on modified terms the early buyout option under the Lease, and the Lease

Agreements will be terminated (the "EBO Agreement"). The EBO Agreement provides, among other things, that Eastern Coal will pay to BALC the following amounts in exercise of the early buyout option:

1. The total amount of $4,317,504.17, consisting of: (a) the $1,294,482.38 rental deficiency (the "Deficiency"); (b) $2,472,136.57 (the early buyout amount, less a settlement discount of $1,200,000 (the "Discount")); (c) accrued interest in the amount of $40,000 (which amount may increase if there is further delay); (d) attorneys' fees and costs in the amount of $110,500; and (e) payment of property taxes in the amount of $210,729.06 for the period of July 1, 2012 - June 30, 2013 and $189,656.16 for the period of July 1, 2013 to June 30, 2014 (collectively, the "EBO Price"); and

2. Certain taxes relating to the consummation of the EBO Agreement, as specified therein.

In addition, pursuant to the terms of the EBO Agreement, Eastern Coal will assume all personal property taxes for the period commencing July 1, 2013 and thereafter for the equipment covered under the EBO Agreement.

We further understand that the EBO Agreement is conditioned upon, among other things, Peabody's agreement to waive any subrogation, indemnification, contribution or setoff claim, and any similar claim for reimbursement or otherwise, whether under the Separation Agreement, Plan of Reorganization and Distribution by and between Peabody and Patriot Coal Corporation dated as of October 22, 2007 (the "Separation Agreement") or any other agreement between the parties or applicable law, which Peabody may have against Eastern Coal for the Deficiency, the Discount, and interest, attorneys' fees, and expenses chargeable under the Lease Agreements, other than the interest, attorneys' fees and expenses chargeable under the Lease Agreements that Eastern Coal has agreed to pay under the EBO Agreement, to the extent such amounts are not paid by Eastern Coal (such waived claims, the "EBO Claims").

This confirms Peabody's agreement to waive and release, effective as of the Effective Date (as defined below) the EBO Claims. As used herein, the term "Effective Date" means the first date upon which each of the following has occurred: (i) a Final Order (as defined below) has been entered by the Bankruptcy Court approving the EBO Agreement, and (ii) Eastern Coal has timely paid the EBO Price as required under the EBO Agreement. This further constitutes "consent in writing" to the EBO Agreement in the event such consent is required under Section 4.02(a)(i) of the Separation Agreement.

For purposes of this letter, and to avoid any confusion, the term "EBO Claims" shall not include any claims relating to the obligations of Eastern Coal and its affiliates in the Lease Agreements that survive the termination of the Lease Agreements, including without limitation any obligation of Eastern Coal to indemnify BALC or the Owner Trustee, their successors and assigns, but excluding, for the avoidance of doubt, any claim related to the Discount. For purposes of this letter, the term "Final Order" means an order that has not been reversed, stayed, modified, amended or vacated and if (a) an appeal is taken or a petition for certiorari or motion for rehearing or reconsideration has been filed with respect to the order,

such appeal, petition, or motion has been finally determined or dismissed or (b) the time to appeal, seek certiorari or move for reconsideration or rehearing has expired and no appeal, petition for certiorari or motion for reconsideration or rehearing has been timely filed.

The agreements set forth in this letter shall be governed by and construed in accordance with the internal laws of the State of New York.

Regards,

Peabody Energy Corporation

By: _____

Name: Walter L. Hawkins, Jr.
Title: Senior Vice President Finance

cc: Steven N. Cousins, Esq.
Scott T. Jarboe, Esq.
Steven J. Reisman, Esq.