

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:	Chapter 11
PATRIOT COAL CORPORATION, et al.,	Case No.: 12-51502-659 (KSS)
Debtors.	Jointly Administered

PATRICIA D. CLARK, CPA, DECLARATION IN SUPPORT OF PAYNE-GALLATIN COMPANY INITIAL HEARING BRIEF IN SUPPORT OF ITS OBJECTION [ECF 2056] TO DEBTORS' MOTION FOR AUTHORIZATION TO (i) ASSUME OR (ii) REJECT UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY [ECF 1995]

Patricia D. Clark, CPA, declares pursuant to 28 U.S.C. § 1746:

1. I am a Certified Public Accountant licensed in West Virginia [No. 3030], and a Member of Suttle & Stalnaker PLLC ("Suttle & Stalnaker"), Charleston, West Virginia. I hold a Bachelor of Science in Business Administration with a major in accounting, and a Masters of Professional Accountancy from West Virginia University. I have practiced accounting for 23 years focusing on large land holding clients as well as various other businesses.
2. I submit this declaration in support of the Payne-Gallatin Company Initial Brief In Support Of Its Objection [ECF 2056] To Debtors' Motion For Authorization To (i) Assume Or (ii) Reject Unexpired Leases Of Nonresidential Real Property [ECF 1995].
3. Except as otherwise stated, all facts in this Declaration are based upon my personal knowledge, my review of relevant documents, information provided to me by partners or associates working under my supervision, or my opinion based upon my experience,

knowledge and information as a Certified Public Accountant. If called upon to testify, I would testify competently to the facts in this declaration.

4. By letter dated May 22, 2012 to Patriot Coal Corporation (“Patriot”), Andrew A. Payne III, President, Payne-Gallatin Company (“PG”) requested an inspection and audit of Patriot’s books pertaining to wheelage royalties payable to PG (the “Audit”). Mr. Payne designated my partner Chris Deweese, CPA and me (Patricia D. Clark, CPA), both of the firm of Suttle & Stalnaker, as PG's agents for the Audit. Ultimately Suttle & Stalnaker was engaged to provide Agreed Upon Procedures as described in our report dated December 13, 2012. We did not audit or examine the validity of Patriot’s accounting records or financial statements and cannot attest to the accuracy of the underlying data that we inspected. We relied on records provided by Patriot and their designated staff as well as records provided by PG.

5. Patriot was initially requested to provide wheelage royalty calculation workpapers for June 2002 through December 2011. Due to concerns from Patriot staff that the request was too broad to be able to retrieve supporting documents with any efficiency, it was agreed by PG and Patriot that a sample from that time period would be adequate. Additionally, based upon Patriot’s further representation that records prior to 2006 were unavailable, it was agreed by PG and Patriot that the sampling period would be January 2006, forward.

6. Assisted by Ms. Kelly Shafer, C.P.A. and Mr. E. Ryan Mink, CPA, of Suttle & Stalnaker, we performed the following procedures:

- (i) Viewed 19 selected wheelage royalty calculations to determine transportation cost treatment in the wheelage royalty calculation,

- (ii) Selected 6 coal sales agreements based on representative shipping destinations from the months sampled and reviewed and noted shipping terms,
- (iii) Calculated average trucking costs over all 32 months of wheelage royalty calculations tested, and
- (iv) Summarized rail transportation costs deducted in wheelage royalty calculations.

7. The wheelage royalty detail schedules provided by Patriot list the starting point as “Clean Coal Prep Plant – MSHA # 46-08571,” and various intermediate destinations including “Toms Fork,” “Ceredo Dock,” “Chelyan Dock,” “Marmet Dock,” “Quincy Dock,” “Port Amherst and “Winifred Dock.” These schedules list various final destinations including “Ceredo Dock,” “Pier IX Dock,” “DTA,” “Toms Fork,” “Chelyan Dock,” “Marmet Dock,” “Quincy Dock,” “Little Creek Dock” and “Port Amherst.”

8. These wheelage royalty detail schedules show deductions from gross sales for transportation related expenses itemized under the headings of “trucking,” “rail,” “transloading,” “government,” “fuel surcharge,” and “put-thru fees.”

9. I confirmed with Patriot that the following items are included in the deducted transportation expenses:

- (i) Transloading fees – the fees charged to the mines for coal being loaded onto barges/trains by a third party.
- (ii) Rail fees – fees charged by the railroads to haul the coal.
- (iii) Trucking fees – fees charged by outside trucking companies to haul the coal from the mine to a dock/rail load out.

- (iv) PSC (Public Service Commission) fee – fees paid to the WV Public Service Commission for the trucking companies to haul the coal on public roads.
- (v) Fuel surcharge – rates included on the rail bills to cover the fuel costs of shipping the coal.
- (vi) Put thru fees/Terminal fees – rate charged by Peabody or Drummond to load the coal onto vessels being exported from DTA or Pier IX.

10. I summarized these conclusions in an “Independent Accountants’ Report On Applying Agreed Upon Procedures” dated December 13, 2012 and submitted to Payne-Gallatin Company (the “Wheelage Underpayment Report”).

11. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on May 7, 2013
Charleston, West Virginia



Patricia D. Clark