

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:

July 22, 2013 at 4:00 p.m.
(prevailing Central Time)

NOTICE OF CLAIMS SETTLEMENT AGREEMENT

PLEASE TAKE NOTICE that, pursuant to the Order Authorizing and Approving Procedures for Compromise and Settlement of Certain Claims, Litigations and Causes of Action [ECF No. 2821] (the “**Claims Settlement Order**”), Debtor Magnum Coal Company LLC (“**Magnum**”), hereby files this notice (the “**Settlement Notice**”) of a proposed settlement agreement between Magnum and RoyaltyCo, LLC² pursuant to “Tier III” of the Claims Settlement Order (the “**Proposed Settlement Agreement**”), attached hereto as Annex A. Among other things, the Proposed Settlement Agreement settles a prepetition claim in the amount of \$67,814,530.00 asserted by RoyaltyCo, LLC against Magnum (Clerk of the Court Claim No. 3653), and a scheduled claim against Magnum in the amount of \$126,171.94 (together, the “**Claims**”). In exchange for an allowed unsecured claim in the amount of \$12,000,000.00, RoyaltyCo, LLC will fully, finally and forever waive, release and/or discharge Magnum from the Claims. Additionally, Magnum will fully, finally and forever waive its right

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.

² RoyaltyCo, LLC is neither an insider nor an affiliate of Peabody Energy Corporation or Arch Coal, Inc, as those terms are defined under section 101 of the Bankruptcy Code.

to assert any and all avoidance action claims against RoyaltyCo, LLC pursuant to sections 544, 545, 547, 548, 549 or 550 of the Bankruptcy Code (the “**Released Claims**”).³

PLEASE TAKE FURTHER NOTICE that, in accordance with the Claims Settlement Order, this Settlement Notice and Proposed Settlement Agreement shall be served on (i) the Core Parties (as defined in the Order Establishing Certain Notice, Case Management and Administrative Procedures [ECF No. 3361]) and (ii) RoyaltyCo, LLC.

PLEASE TAKE FURTHER NOTICE that any objections (“**Objections**”) will be considered properly filed and served only if they are filed with the Court and actually received by the following parties on or before **July 22, 2013 at 4:00 p.m. (prevailing Central Time)** (the “**Objection Deadline**”): (i) counsel to the Debtors, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attn: Brian M. Resnick and Michelle M. McGreal, (ii) attorneys for the administrative agents for the Debtors’ postpetition lenders, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attn: Marcia Goldstein and Joseph Smolinsky and Wilkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, Attn: Margot B. Schonholtz and Ana Alfonso and (iii) attorneys for the official committee of unsecured creditors, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: Thomas Moers Mayer, Adam C. Rogoff and Gregory G. Plotko.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Claims Settlement Order, if no Objections are timely filed, the Proposed Settlement Agreement shall immediately become

³ RoyaltyCo, LLC may have valid defenses to any litigation brought by Magnum on account of the Released Claims. The value of any potential recovery pursuant to such litigation is outweighed by the avoidance of (i) the expense and delay associated with such litigation as well as (ii) the expense, delay and complexity associated with litigating the Claims.

final and effective without any further action by the Court.

Dated: July 11, 2013
New York, New York

Respectfully submitted,

DAVIS POLK & WARDWELL LLP

/s/ Jonathan D. Martin

Marshall S. Huebner

Brian M. Resnick

Jonathan D. Martin

Michelle M. McGreal

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*Counsel to the Debtors
and Debtors in Possession*

-and-

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*Local Counsel to the Debtors
and Debtors in Possession*

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

Annex A: Proposed Settlement Agreement

EXECUTION VERSION

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement (the "Agreement"), entered into as of July 11, 2013 (the "Effective Date"), is by and between RoyaltyCo, LLC (the "Claimant"), the Asserted Debtor (as set forth in Schedule A attached hereto), and Magnum Coal Company LLC (the "Settled Debtor" as set forth in Schedule B attached hereto). The Claimant, the Asserted Debtor(s), and the Settled Debtor(s) are referred to herein as a "Party" and collectively as the "Parties."

I. RECITALS

WHEREAS, on July 9, 2012 (the "Petition Date"), Patriot Coal Corporation ("Patriot") and certain of its affiliates (each, a "Debtor" and, collectively, the "Debtors"), including the Asserted Debtor(s) and the Settled Debtor(s), filed voluntary petitions for relief (the "Chapter 11 Cases") pursuant to title 11 of the United States Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York (the "SDNY Bankruptcy Court"). On December 19, 2012, the SDNY Bankruptcy Court entered an order transferring the Chapter 11 Cases to the United States Bankruptcy Court for the Eastern District of Missouri (the "Bankruptcy Court"). The Debtors have continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

WHEREAS, in connection with the Chapter 11 Cases, Debtor Magnum Coal Company LLC commenced an adversary proceeding by filing a Complaint for Declaratory Relief dated August 10, 2012 (Adv. Proc. No. 12-04354-659).

WHEREAS, the Claimant allegedly has certain claims against certain Debtors (the "Claim") and has filed the proof of claim against the Asserted Debtor as listed in Schedule A attached hereto (the "Proof of Claim").

WHEREAS, on February 13, 2013, the Bankruptcy Court entered the Order Authorizing and Approving Procedures For Compromise and Settlement of Certain Claims, Litigations and Causes Of Action [Docket No. 2821] (the "Claims Settlement Procedures Order"). The Settled Debtor(s) are authorized to enter into this Agreement pursuant to the Claims Settlement Procedures Order.

WHEREAS, the Asserted Debtor, the Settled Debtor and the Claimant now desire to resolve the issues raised in the Claim pursuant to the terms of the Claims Settlement Procedures Order and the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the representations, acknowledgments, promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, each Party, by and through its representative, hereby voluntarily, intentionally, and upon the advice and guidance of counsel, executes this Agreement and agrees as follows:

II. SETTLEMENT TERMS

1. Allowed Claims. In full and final satisfaction of the Claim, the Parties agree that the Claimant shall have finally allowed claims (the "Allowed Claim") against the Settled Debtor in the amount(s) and classification set forth in Schedule B attached hereto. It is expressly understood by the Parties that the Claimant may seek satisfaction of the Claim only as set forth herein, and that in no event will the Asserted Debtor, the Settled Debtors, or any other Debtor or any of their estates or any persons who are employed or otherwise

associated with them be liable to the Claimant in any other way whatsoever with respect to the Claim or the debt, obligation, liability, account, suit, damages or cause of action giving rise to the Claim.

2. Disallowed Claims. All Proofs of Claim filed by the Claimant, except to the extent allowed as the Allowed Claim(s) as set forth in Schedule B attached hereto, are disallowed and expunged from the Debtors' claims register.

3. Effectiveness. This Agreement is authorized by the Claims Settlement Procedures Order and each of the Parties shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary or appropriate in conjunction with the performance of their respective obligations hereunder. Notice of this Agreement, if any, shall be provided as required by the Claims Settlement Procedures Order. Subject to the procedures set forth in the Claims Settlement Procedures Order, the terms and conditions of this Agreement shall be immediately effective and enforceable.

4. Scope of Agreement and Release. This Agreement resolves all claims and demands asserted against the Asserted Debtor(s) and the Settled Debtor(s) by the Claimant, including, without limitation, those asserted in the Proof of Claim. Except as expressly agreed herein, the Claimant, on behalf of itself, its heirs, representatives and assigns, does hereby fully, finally and forever waive, release and/or discharge the Debtors, their estates and any heirs, successors, assigns, affiliates, officers, directors, shareholders, associates, parents, subsidiaries, predecessors, successors, employees, attorneys and agents from the Claim (whether prepetition unsecured, priority, administrative or postpetition/administrative) and from all actions, causes of action, suits, debts, obligations, liabilities, accounts, damages, defenses or demands whatsoever, known or unknown, giving rise to or otherwise relating to the Claim. The Claimant agrees to terminate any UCC-1 financing statements filed in connection with the Claim promptly after the effectiveness of this Agreement. The Debtors and their bankruptcy estates hereby waive their rights to assert any and all avoidance action claims against the Claimant pursuant to sections 544, 545, 547, 548 or 550 of the Bankruptcy Code that concern the payments to the Claimant under the Payment Agreements (as defined in Magnum Coal Company LLC's Complaint Against RoyaltyCo, LLC, Adv. Pro. No. 12-04354-659, ECF No. 1). This Stipulation shall be binding upon the Debtors, their bankruptcy estates, any committee appointed under Section 1102 of the Bankruptcy Code, and any successors thereto, including any appointed trustee or examiner or representative appointed under any plan of reorganization of the Debtors.

5. Entire Agreement and Confidentiality. This Agreement is the entire agreement between the Parties in respect of the subject matter hereof and shall not be modified, altered, amended, or vacated without the prior written consent of all Parties hereto. Neither this Agreement, nor any statement made or action taken in connection with the negotiation of this Agreement, shall be offered or received in evidence or in any way referred to in any legal action or administrative proceeding among or between the Parties hereto, other than as may be necessary (a) to obtain approval of and to enforce this Agreement or (b) to seek damages or injunctive relief in connection therewith. The Parties shall maintain the confidentiality of this Agreement except to the extent necessary to enforce this Agreement or to comply with the Claims Settlement Procedures Order.

6. Bankruptcy Court Jurisdiction. The Bankruptcy Court shall retain jurisdiction (and the parties consent to such retention of jurisdiction) with respect to any disputes arising from or other actions to interpret, administer or enforce the terms and provisions of this Agreement. Any motion or application brought before the Bankruptcy Court to resolve a dispute arising from or related to this Agreement shall be brought on proper notice and in accordance with relevant Federal Rules of Bankruptcy Procedure and local rules of the Bankruptcy Court.

7. Representation and Warranties. Each Party specifically warrants and represents to the other Party that it has full authority to act for and to enter into this Agreement, which Agreement constitutes a legal,

valid and binding obligation of such Party. The Claimant specifically warrants and represents to the Debtors that: (a) prior to the execution of this Agreement, it has not in any capacity assigned, pledged, or otherwise sold or transferred, either by instrument or otherwise, to any person or entity, all or any portion of the Claim; (b) the Claim is owned by the Claimant and is completely free of any encumbrances; and (c) subject to this Agreement becoming effective, it will not assert, jointly or severally, against any of the Debtors any of the Claim. Each of the Parties specifically warrants and represents that it has been fully informed of its terms, contents, conditions, and effects regarding the same, that it has had a full and complete opportunity to discuss this Agreement, including the settlement and the release, with its attorney or attorneys, that it is not relying in any respect on any statement or representation made by the other Party, and that no promise or representation of any kind has been made to such Party separate and apart from what is expressly contained in this Agreement.

8. No Admissions. The Parties agree that this is a compromise and settlement of disputed claims and causes of action, and, other than with respect to the Allowed Claim, nothing contained herein shall be construed as an admission of liability or damages by, on behalf of or against any of the Parties.

9. Further Assurances. Should any additional instruments be necessary or desirable to accomplish the purpose(s) of this Agreement or to establish the rights or discharge the obligations of either Party hereto, such additional instruments will be promptly executed and delivered upon the request of the other Party.

10. Construction of Agreement. This Agreement shall not be construed in favor of or against any Party on the basis that the Party did or did not authorize this Agreement or any attachment related to it.

11. Survival of Representations. The representations set forth herein shall survive the completion of all actions contemplated herein. Other provisions hereof which require action after execution hereof shall survive the execution hereof.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

13. Headings. The headings in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

14. Expenses. Each Party shall be solely responsible for the attorney's fees, costs and expenses, if any, incurred by that Party in connection with the Claim, the Proof of Claim, or this Agreement, as applicable.

15. Materiality. The statements, representations, and acknowledgments in this Agreement are not mere recitations; rather, they are understood and relied upon as part of this Agreement by the Parties and are material hereto.

16. No Oral Agreements. This Agreement represents the final agreement between the Parties with respect to the subject matter contained herein and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements between the Parties.

17. Counterparts. This Agreement may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by both Parties.

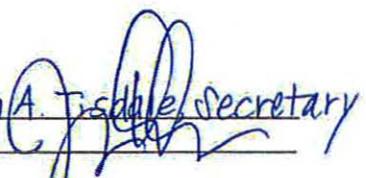
18. Claims Register. Immediately upon the effectiveness of this Agreement in accordance with the Claims Settlement Procedures Order, the Debtors' claims and noticing agent and the clerk of the Bankruptcy Court are authorized and directed to amend the claims register.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives effective as of the Effective Date.

By: 

Robert L. Mead
Patriot Coal Corporation
12312 Olive Boulevard
St. Louis, MO 63141

Representative for the Debtors and Debtors in Possession

By (Print): John A. Tisdale, Secretary
By (Signature): 

RoyaltyCo, LLC
Telephone: 617-531-6316
Fax: 617-867-4698

Representative for Claimant

Schedule A										
Summary of Scheduled Claims and Filed Proofs of Claim										
Creditor ID	Claims Agent Claim #	Clerk of the Court Claim #	Claimant	Claim Type	Debtor Entity	Secured	Administrative	Priority	Unsecured	Total
1012285	2094	3653	ROYALTYCO, LLC	Filed	MAGNUM COAL COMPANY LLC	\$0.00	\$0.00	\$0.00	\$67,814,530.00	\$67,814,530.00
1012285	N/A	N/A	ROYALTYCO, LLC	Scheduled	MAGNUM COAL COMPANY LLC	\$0.00	\$0.00	\$0.00	\$126,171.94	\$126,171.94
					TOTAL	\$0.00	\$0.00	\$0.00	\$67,940,701.94	\$67,940,701.94

Schedule B Summary of Allowed Scheduled Claims and Filed Proofs of Claim										
Creditor ID	Claims Agent Claim #	Clerk of the Court Claim #	Claimant	Claim Type	Debtor Entity	Secured	Administrative	Priority	Unsecured	Total
1012285	2094	3653	ROYALTYCO, LLC	Filed	MAGNUM COAL COMPANY LLC	\$0.00	\$0.00	\$0.00	\$12,000,000.00	\$12,000,000.00
					TOTAL	\$0.00	\$0.00	\$0.00	\$12,000,000.00	\$12,000,000.00