

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.<sup>1</sup>

Chapter 11  
Case No. 12-51502-659  
(Jointly Administered)

Objection Deadline:  
November 14, 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**”), the Debtors hereby file this notice (the “**Settlement Notice**”) of a proposed settlement agreement between the Debtors and the West Virginia State Tax Department<sup>2</sup> (the “**WV Tax Department**”) 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 the prepetition claims asserted by the WV Tax Department against certain Debtors as set forth in the Proposed Settlement Agreement (together, the “**Claims**”). In exchange for the allowed priority and unsecured claims set forth in the Proposed Settlement Agreement, the WV Tax Department will fully, finally and forever waive, release and/or discharge the Debtors from the Claims.

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<sup>1</sup> 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.

<sup>2</sup> The West Virginia State Tax Department 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.

**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) the WV Tax Department.

**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 **November 14, 2013 at 4:00 p.m. (prevailing Central Time)**: (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 final and effective without any further action by the Court.

Dated: November 4, 2013  
New York, New York

Respectfully submitted,

DAVIS POLK & WARDWELL LLP

*/s/ Michelle M. McGreal*

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Marshall S. Huebner  
Brian M. Resnick  
Michelle M. McGreal  
450 Lexington Avenue  
New York, New York 10017  
Telephone: (212) 450-4000  
Facsimile: (212) 607-7983

*Counsel to the Debtors  
and Debtors in Possession*

-and-

BRYAN CAVE LLP  
Lloyd A. Palans, #22650MO  
Brian C. Walsh, #58091MO  
Laura Uberti Hughes, #60732MO  
One Metropolitan Square  
211 N. Broadway, Suite 3600  
St. Louis, Missouri 63102  
Telephone: (314) 259-2000  
Facsimile: (314) 259-2020

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

# **Annex A: Proposed Settlement Agreement**

## SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement (the "Agreement"), entered into as of November 4, 2013 (the "Effective Date"), is by and between WEST VIRGINIA STATE TAX DEPARTMENT (the "Claimant"), the Asserted Debtor(s) (as set forth in Exhibit A attached hereto), and the Settled Debtor(s) (as set forth in Exhibit 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 (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 Debtors' Chapter 11 Cases to the 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, the Claimant allegedly has certain claims against certain Debtors (the "Claim") and has filed the proofs of claim against the Asserted Debtor(s) as listed in Exhibit 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(s), the Settled Debtor(s) and the Claimant 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.

WHEREAS, the Asserted Debtor(s), the Settled Debtor(s) and the Claimant desire to avoid the time, expense and delay of engaging in litigation regarding the Claim.

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. Pursuant to section 1129(a)(9) of the Bankruptcy Code and the Claims Settlement Procedures Order, in full and final satisfaction of the Claim, the Parties agree that the Claimant is allowed certain claims against the Settled Debtor(s) entity or entities and in the amount(s) and classification set forth in Exhibit B attached hereto (collectively, the "Allowed Claim"). The total priority Allowed Claim in the aggregate amount of \$7 million set forth on Exhibit B hereto shall be paid as follows: (i) \$3.5 million in cash on or before the later of June 15, 2014 or the effective date of the Debtors' plan of reorganization; and (ii) \$3.5

million in cash on or before the later of June 15, 2015 or the effective date of the Debtors' plan of reorganization. The total unsecured Allowed Claim in the aggregate amount of \$6.5 million set forth on Exhibit B hereto shall be paid in accordance with the Debtors' plan of reorganization. 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 Debtors, their estates or any persons who are employed or otherwise associated with the Debtors 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 Exhibit 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.

5. Tax Credits. With respect to the West Virginia Strategic Research and Development Credit, pursuant to section 11-13R-1 of the West Virginia Tax Code (the "WV Credit"), the Debtors agree to (i) within 10 days of the effectiveness of this Agreement, withdraw their WV Credit submission for the 2011 tax year dated August 13, 2012 (the "**2011 WV Credit Application**"), (ii) not resubmit the 2011 WV Credit Application, (iii) within 10 days of the effectiveness of this Agreement, withdraw their appeal of the denial of the 2011 WV Credit Application pending before the West Virginia Office of Tax Appeals, Docket No. 12-395, (iv) within 10 days of the effectiveness of this Agreement, withdraw their WV Credit submission for the 2012 tax year dated September 10, 2013, and (v) not submit any further requests for the WV Credit unless and until the Debtors have complied with the terms and conditions of this Agreement.

6. 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 Settlement Procedures Order.

7. Bankruptcy Court Jurisdiction. The United States Bankruptcy Court for the Eastern District of Missouri 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.

8. 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.

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

10. 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.

11. 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.

12. 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.

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

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. Claims Register. Immediately upon effectiveness of this Agreement, the Debtors' claims and noticing agent and the clerk of the Bankruptcy Court are authorized and directed to amend the claims register accordingly.

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

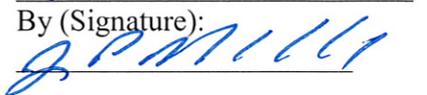
Representative for the Debtors and  
Debtors in Possession

By: 

Scott Schutzenhofer  
Patriot Coal Corporation  
12312 Olive Boulevard  
St. Louis, MO 63141

Representative for the Debtors and  
Debtors in Possession

By (Print): JAN P MUDRINICH

By (Signature): 

WEST VIRGINIA STATE TAX  
DEPARTMENT

Telephone: 304-558-5330  
Fax: 304-558-8728

Representative for Claimant

Exhibit A  
Summary of Scheduled Claims and Filed Proofs of Claim

Creditor ID	Claims Agent		Clerk of the Court		Claimant	Claim Type	Debtor Entity
	Claim #	Claim #	Claim #	Claim #			
1014530	367		379-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	INFINITY COAL SALES, LLC
1014530	390		386-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	RIVERS EDGE MINING, INC.
1014530	353		368-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	APOGEE COAL COMPANY, LLC
1014530	357		372-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	CATENARY COAL COMPANY, LLC
1014530	359		374-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	COLONY BAY COAL COMPANY
1014530	401		402-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	WILDCAT, LLC
1014530	3964		3994-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	BLACK STALLION COAL COMPANY, LLC
1014530	3965		3995-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	COYOTE COAL COMPANY LLC
1014530	3968		3998-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	HOBET MINING, LLC
1014530	3969		3999-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	JUPITER HOLDINGS LLC
1014530	3970		4000-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	KANAWHA EAGLE COAL, LLC
1014530	3971		4001-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	PANTHER LLC
1014530	3972		4002-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	REMINGTON LLC
1014530	3973		4003-1		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	ROBIN LAND COMPANY, LLC
1014530	4003		363-2		WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	PATRIOT COAL CORPORATION

Exhibit 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	Allowed Amounts				
						Secured	Administrative	Priority	Unsecured	Total
1014530	353	368-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	APOGEE COAL COMPANY, LLC	\$0.00	\$0.00	\$697,196.19	\$696,315.96	\$1,393,512.15
1014530	357	372-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	CATENARY COAL COMPANY, LLC	\$0.00	\$0.00	\$512,249.19	\$497,945.48	\$1,010,194.67
1014530	401	402-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	WILDCAT, LLC	\$0.00	\$0.00	\$204.87	\$0.00	\$204.87
1014530	3964	3994-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	BLACK STALLION COAL COMPANY, LLC	\$0.00	\$0.00	\$659,755.79	\$659,755.79	\$1,319,511.58
1014530	3965	3995-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	COYOTE COAL COMPANY LLC	\$0.00	\$0.00	\$479,972.44	\$455,964.88	\$935,937.32
1014530	3968	3998-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	HOBET MINING, LLC	\$0.00	\$0.00	\$1,314,519.33	\$862,352.58	\$2,176,871.91
1014530	3970	4000-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	KANAWHA EAGLE COAL, LLC	\$0.00	\$0.00	\$222,245.71	\$222,245.71	\$444,491.42
1014530	3971	4001-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	PANTHER LLC	\$0.00	\$0.00	\$752,089.01	\$747,307.72	\$1,499,396.73
1014530	3972	4002-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	REMINGTON LLC	\$0.00	\$0.00	\$334.61	\$0.00	\$334.61
1014530	4003	363-2	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	PATRIOT COAL CORPORATION	\$0.00	\$0.00	\$2,361,432.86	\$2,358,111.88	\$4,719,544.74
<b>TOTAL</b>						\$0.00	\$0.00	\$7,000,000.00	\$6,500,000.00	\$13,500,000.00