

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

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

NOTICE OF SETTLEMENT

PLEASE TAKE NOTICE THAT Creditor the United States of America, on behalf of the United States Environmental Protection Agency, the United States Department of Defense, Army Corps of Engineers, and the United States Department of Interior, Office of Surface Mining Reclamation and Enforcement, has entered into the attached Settlement Agreement with certain Reorganized Debtors resolving the Proofs of Claim identified therein.

The Reorganized Debtors are authorized to enter into this Agreement by the Order Authorizing and Approving Procedures For Compromise and Settlement of Certain Claims, Litigations and Causes of Action, Docket No. 2821, and Section 8.2 of the Debtors' Fourth Amended Joint Plan of Reorganization Plan Under Chapter 11 of the Bankruptcy Code, confirmed by this Court on December 18, 2013, Docket No. 5169.

Nathaniel Douglas
Deputy Chief
Environmental Enforcement Section
Environment and Natural Resources Division

Dated: June 23, 2014

/s/ Laura A. Thoms
LAURA A. THOMS
Trial Attorney, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
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laura.thoms@usdoj.gov

*Attorney for the United States of America, on behalf
of EPA, the Corps, and OSM*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on June 23, 2014, a true and correct copy of the United States' Notice of Settlement was served electronically via the court's electronic case filing ("CM/ECF") system to all parties on the ECF service list for the above-captioned case.

Dated: June 23, 2014

/s/ Laura A. Thoms
LAURA A. THOMS
Trial Attorney, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.

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

SETTLEMENT AGREEMENT

WHEREAS, Patriot Coal Corporation and its affiliates (collectively, the “Debtors” or the “Reorganized Debtors”) filed voluntary petitions for relief under Title 11 of the United States Code (the “Bankruptcy Code”) on July 9, 2012 or, in the cases of Brody Mining, LLC and Patriot Ventures LLC, September 23, 2013 (as applicable, the “Petition Date”), commencing cases that are being jointly administered as *In re: Patriot Coal Corporation, et al.*, Case No. 12-51502-659 (the “Chapter 11 Cases”);

WHEREAS, by order dated December 18, 2013, the Court confirmed the Debtors’ Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the “Plan of Reorganization” or “Plan”);

WHEREAS, the United States, on behalf of the United States Environmental Protection Agency (“EPA”), has filed proofs of claim for civil penalties pursuant to Section 309(d) of the Clean Water Act (“CWA”), 33 U.S.C. § 1309(d), alleging violations of National Pollutant Discharge Elimination System (“NPDES”) permit limits at the following facilities (collectively, the “Debtors’ Facilities”) against the following affiliates: 1) Apogee Coal Company, LLC, for violations at the Logan County Mining Complex, located in Logan County, West Virginia (E.D.

Mo. Claim No. 2481-1); 2) Catenary Coal Company, LLC for violations at the Paint Creek or “Samples” Mining Complex, located in Kanawha and Boone Counties, West Virginia (E.D. Mo. Claim No. 2480-1); 3) Coyote Coal Company, LLC, for violations at the Paint Creek or “Samples” Mining Complex, located in Kanawha and Boone Counties, West Virginia (E.D. Mo. Claim No. 2436-1); 4) Heritage Coal Company LLC, for violations at the Highland Mining Complex, located in Union County, Kentucky (E.D. Mo. Claim No. 2477-1); 5) Highland Mining Company, LLC, for violations at the Highland Mining Complex, located in Union County, Kentucky (E.D. Mo. Claim No. 2479-1); 6) Hobet Mining, LLC, for violations at the Corridor G Mining Complex, located in Boone and Lincoln Counties, West Virginia (E.D. Mo. Claim No. 3768-1); 7) Patriot Coal Company, L.P., for violations at the Bluegrass Mining Complex, located in Henderson County, Kentucky (E.D. Mo. Claim No. 2466-1); 8) Union County Coal Co., LLC, for violations at the Dodge Hill Mining Complex, located in Union County, Kentucky (E.D. Mo. Claim No. 3765-1); and 9) Will Scarlet Properties, LLC, for violations at the Will Scarlet Complex, located in Saline County, Illinois, (E.D. Mo. Claim No. 2462-1) (collectively, the “Subsidiary Proofs of Claim”);

WHEREAS, the United States, on behalf of EPA, also filed a proof of claim for civil penalties pursuant to Section 309(d) of the Clean Water Act, 33 U.S.C. §1309(d), against Patriot Coal Corporation, alleging that Patriot Coal Corporation is jointly and severally liable to the United States for civil penalties for the same violations alleged in the Subsidiary Proofs of Claim (E.D. Mo. Claim No. 3766-1) (the “Patriot Proof of Claim”);

WHEREAS, the Subsidiary Proofs of Claim and the Patriot Proof of Claim assert the aforementioned civil penalty liabilities as general unsecured claims, except to the extent that any rights of set off exist to secure the United States’ claims;

WHEREAS, the above-described Proofs of Claim further assert, on behalf of EPA, the United States Department of Defense, Army Corps of Engineers (“Corps”), and/or the United States Department of Interior, Office of Surface Mining Reclamation and Enforcement (“OSM”), protective claims with respect to injunctive obligations, including the following specific obligations: (i) injunctive relief based on certain state and federal court settlements of CWA violations, (ii) mitigation measures required in CWA Section 404 permits issued to the Debtors by the Corps, and (iii) operational requirements under the Surface Mining Control and Reclamation Act (“SMCRA”) (collectively referred to as the “Protective Claims”);

WHEREAS, some or all of the Protective Claims were also asserted in Proofs of Claim filed with respect to the following subsidiaries: Black Stallion Coal Company, LLC (E.D. Mo. Claim No. 2482-1); Black Walnut Coal Company (E.D. Mo. Claim No. 2483-1); Coal Clean LLC (E.D. Mo. Claim No. 2468-1); Colony Bay Coal Company (E.D. Mo. Claim No. 2434-1); Dakota LLC (E.D. Mo. Claim No. 2435-1); Day LLC (E.D. Mo. Claim No. 2470-1); Dodge Hill Mining Company, LLC (E.D. Mo. Claim No. 2472-1); Eastern Associated Coal, LLC (E.D. Mo. Claim No. 2440-1); Emerald Processing, L.L.C. (E.D. Mo. Claim No. 2473-1); Gateway Eagle Coal Company, LLC (E.D. Mo. Claim No. 2475-1); Hillside Mining Company (E.D. Mo. Claim No. 2442-1); IO Coal LLC (E.D. Mo. Claim No. 2474-1); Jarrell's Branch Coal Company (E.D. Mo. Claim No. 2444-1); Jupiter Holdings LLC (E.D. Mo. Claim No. 2445-1); Kanawha Eagle Coal, LLC (E.D. Mo. Claim No. 2446-1); Little Creek LLC (E.D. Mo. Claim No. 2465-1); Logan Fork Coal Company (E.D. Mo. Claim No. 2437-1); Magnum Coal Company LLC (E.D. Mo. Claim No. 2467-1); Martinka Coal Company, LLC (E.D. Mo. Claim No. 2438-1); Midland Trail Energy LLC (E.D. Mo. Claim No. 2439-1); Mountain View Coal Company, LLC (E.D. Mo. Claim No. 2441-1); Newtown Energy, Inc. (E.D. Mo. Claim No. 3767-1); Ohio County

Coal Company, LLC (E.D. Mo. Claim No. 2476-1); Panther LLC (E.D. Mo. Claim No. 2443-1); Pine Ridge Coal Company, LLC (E.D. Mo. Claim No. 2452-1); Pond Fork Processing LLC (E.D. Mo. Claim No. 2469-1); Remington LLC (E.D. Mo. Claim No. 2447-1); Rivers Edge Mining, Inc. (E.D. Mo. Claim No. 2448-1); Speed Mining LLC (E.D. Mo. Claim No. 2471-1); Weatherby Processing LLC (E.D. Mo. Claim No. 2478-1); Wildcat, LLC (E.D. Mo. Claim No. 2449-1); and Winifrede Dock Limited Liability Company (E.D. Mo. Claim No. 2450-1);

WHEREAS, the Protective Claims were asserted on a contingent basis, to safeguard against the possibility that Debtors would disagree with the United States' position that the Debtors' obligation to comply with work requirements and financial assurance obligations imposed by environmental statutes, regulations, court or administrative orders, licenses, or permits, including the Debtors' obligations described in the Protective Claims, are not dischargeable pursuant to Section 1141 of the Bankruptcy Code;

WHEREAS, the Plan does not discharge the Protective Claims;

WHEREAS, the Reorganized Debtors, but for this Settlement Agreement, would dispute, in whole or in part, the Claims for CWA civil penalties in the Subsidiary Proofs of Claim and the Patriot 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 Reorganized Debtors are authorized to enter into this Agreement pursuant to the Claims Settlement Procedures Order and Section 8.2 of the Plan;

WHEREAS, the Reorganized Debtors and the United States wish to resolve their differences with respect to the Proofs of Claim provided herein;

WHEREAS, this Settlement Agreement is in the public interest and is an appropriate means of resolving these matters;

NOW, THEREFORE, without the admission of liability or the adjudication of any issue of fact or law, and upon the consent and agreement of the parties to this Settlement Agreement by their attorneys and authorized officials, it is hereby agreed as follows:

1. The Bankruptcy Court has jurisdiction over the subject matter hereof pursuant to 28 U.S.C. §§ 157, 1331, and 1334, and 33 U.S.C. § 1319(b) and (d).
2. Unless otherwise defined, capitalized terms shall have the meanings ascribed to them in the Plan.
3. With respect to the CWA Section 309 claims for civil penalties based on NPDES permit violations at Debtors' Facilities, the United States, on behalf of EPA, shall have the following seven Allowed Claims (collectively, the "EPA Allowed Claims") to be paid as Convenience Class Claims under the Plan:

Debtor	E.D. Mo. Claim #	Allowed Claim
Apogee Coal Company, LLC	2481-1	\$69,000
Hobet Mining, LLC	3768-1	\$60,000
Catenary Coal Company, LLC	2480-1	\$43,200
Coyote Coal Company, LLC	2436-1	\$3,200
Union County Coal Co., LLC	3765-1	\$3,200
Heritage Coal Company LLC	2477-1	\$6,400
Patriot Coal Company, L.P.	2466-1	\$77,400
Total		\$262,400

4. The EPA Allowed Claims shall receive the same treatment under the Plan of Reorganization, without discrimination, as all other Convenience Class Claims, with all attendant rights provided by the Bankruptcy Code and other applicable law, and shall not be entitled to any priority in distribution over other Convenience Class Claims. In no event shall the EPA Allowed

Claims be subordinated to any other Convenience Class Claims pursuant to any provision of the Bankruptcy Code or other applicable law that authorizes or provides for subordination of allowed claims, including without limitation, Sections 105, 510, and 726(a)(4) of the Bankruptcy Code.

5. The treatment of the EPA Allowed Claims as Convenience Class Claims under this Settlement Agreement is without prejudice to any right of the United States to set off, against the debts underlying such Claims, any debts owed to a particular Debtor or Debtors.

6. Distributions to the United States pursuant to this Settlement Agreement shall be made at <https://www.pay.gov> or by FedWire Electronic Funds Transfer in accordance with instructions, including a Consolidated Debt Collection System (“CDCS”) number, to be provided to the Reorganized Debtors by the Financial Litigation Unit of the United States Attorney’s Office for the Eastern District of Missouri.

At the time of payment pursuant to this Settlement Agreement, the Reorganized Debtors shall transmit written confirmation of such distribution to the United States at the addresses specified below, with reference to Bankruptcy Case Number 12-51502-659:

Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, DC 20044
Ref. DOJ File No. 90-5-1-1-09476/2

NPDES Enforcement Branch Chief
U.S. EPA Region III
1650 Arch Street, 3WP42
Philadelphia, PA 19103

Director, Office of Civil Enforcement
U.S. Environmental Protection Agency
Ariel Rios Building, 2241A
1200 Pennsylvania Ave., N.W.
Washington, D.C. 20460

7. The United States' causes of action in the Protective Claims are left intact by the Plan and Confirmation Order, and therefore shall not be treated as Allowed Claims under the Plan. As such, no distributions shall be made to the United States pursuant to the Protective Claims.

8. This Settlement Agreement resolves EPA's claims for civil penalties against the Debtors pursuant to Section 309(d) of the CWA, 33 U.S.C. § 1319(d), with respect to NPDES permit effluent limit violations at Debtors' Facilities that occurred prior to the Confirmation Date.

9. Other than the EPA Allowed Claims, all Proofs of Claim described herein are hereby withdrawn, without prejudice to the rights of the parties as stated in this Settlement Agreement. The Clerk of the Court and the Reorganized Debtors' claims agent are directed to reflect the withdrawal of such Proofs of Claim in their respective records.

10. The United States expressly reserves, and this Settlement Agreement is without prejudice to, all rights against the Reorganized Debtors with respect to all matters other than those set forth in Paragraph 8, including, but not limited to, the United States' rights to enforce the obligations under the Consent Decree in *United States v. Patriot Coal et al.*, 2:09cv0099 (S.D. W.Va.). The United States also expressly reserves, and this Settlement Agreement is without prejudice to, any action based on a failure to meet a requirement of this Settlement Agreement.

11. This Settlement Agreement does not affect the claims, rights, or defenses of the United States except as provided in Paragraph 8.

12. This Settlement Agreement does not limit or affect the rights of the Reorganized Debtors or of the United States against any third parties, not party to this Settlement Agreement, nor does it limit the rights of third parties, not party to this Settlement Agreement, against the Reorganized Debtors except as otherwise provided by law.

13. Nothing in this Settlement Agreement shall be deemed to limit the authority of the United States to take any response action under any applicable statute or regulation, or to alter the applicable legal principles governing judicial review of any action taken by the United States pursuant to such authority.

14. Nothing in this Settlement Agreement shall be deemed to limit the information-gathering authority of the United States under Section 308 of the CWA, 33 U.S.C. § 1318, or any other applicable statute or regulation, or to excuse the Reorganized Debtors from any disclosure or notification requirements imposed by the CWA or any other applicable statute or regulation.

15. This Settlement Agreement shall satisfy any requirement for a written request for distribution under the Plan, including the requirement under Section 6.2(b).

16. Nothing in this Settlement Agreement shall be construed, applied, or interpreted to change the terms of the Plan or the Confirmation Order in any respect.

17. Notice of this Settlement Agreement shall be placed on the docket of the above-referenced case.

18. This Settlement Agreement constitutes the sole and complete agreement of the parties hereto with respect to the matters addressed herein.

19. This Settlement Agreement may not be amended except by a writing signed by all the parties.

20. This Settlement Agreement may be executed in counterparts, each of which shall constitute an original, and all of which shall constitute one and the same agreement.

21. The Bankruptcy Court (or, upon withdrawal of the Bankruptcy Court's reference, the United States District Court for the Eastern District of Missouri) shall retain jurisdiction over the subject matter of this Settlement Agreement and the parties hereto for the duration of the performance of the terms and provisions of this Settlement Agreement for the purpose of enabling any of the parties to apply at any time for such further order, direction, and relief as may be necessary or appropriate for the construction or interpretation of this Settlement Agreement or to effectuate or enforce compliance with its terms.

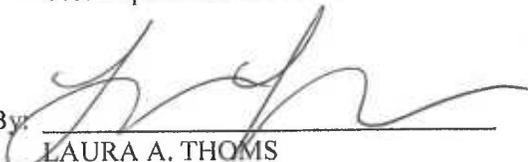
The undersigned party hereby enters into this Settlement Agreement in *In re: Patriot Coal Corporation, et al.*, Case No. 12-51502-659 (Bankr. E.D. Mo.).

FOR THE UNITED STATES OF AMERICA:

Date: 5/30/14

By: 
NATHANIEL DOUGLAS
Deputy Section Chief
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice

Date: 6/5/14

By: 
LAURA A. THOMS
STACY D. COLEMAN
Trial Attorneys
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, DC 20044

The undersigned party hereby enters into this Settlement Agreement in *In re: Patriot Coal Corporation, et al.* Case No. 12-51502-659 (Bankr. E.D. Mo.).

FOR THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY:

Date: 6/19/14



MARCIA E. MULKEY
Regional Counsel
U.S. Environmental Protection Agency, Region III
1650 Arch Street
Philadelphia, PA 19103-2029

Date: 6/16/14



DOUGLAS FRANKENTHALER
Assistant Regional Counsel
U.S. Environmental Protection Agency, Region III
1650 Arch Street
Philadelphia, PA 19103-2029

The undersigned party hereby enters into this Settlement Agreement in *In re: Patriot Coal Corporation, et al.*, Case No. 12-51502-659 (Bankr. E.D. Mo.).

FOR THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY:

Date: 5-30-14

By:  _____

MARK POLLINS, Director
Water Enforcement Division
Office of Civil Enforcement
Office of Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., N.W.
Washington, D.C. 20460

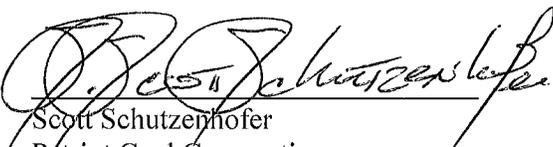
The undersigned party hereby enters into this Settlement Agreement in *In re: Patriot Coal Corporation, et al.* Case No. 12-51502-659 (Bankr. E.D. Mo.).

FOR THE REORGANIZED DEBTORS:

Date: 5-16-2014

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

Date: 5/16/14

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