

FIFTH SECTION 1114 PROPOSAL

As you know, on July 9, 2012, Patriot Coal Corporation and substantially all of its subsidiaries (collectively, “Patriot” or the “Debtors”) each filed a petition under Chapter 11 of the Bankruptcy Code. Patriot took this step only after exhausting all other available options to increase efficiency, reduce costs, and seek additional sources of financing in response to the drop in coal demand and prices, increasingly adverse regulatory compliance requirements, and unsustainable wage, benefit, and retiree healthcare costs. Reorganization under Chapter 11, if successful, will allow us to avoid liquidation and maintain jobs and benefits for our thousands of employees and their families, as well as provide meaningful contributions toward the healthcare costs of retirees and their dependents. If implemented, the proposed modifications below, in combination with other restructuring initiatives, will give us the opportunity to successfully reorganize and emerge from bankruptcy.

On November 15, 2012, Patriot delivered a proposal pursuant to section 1114 of the Bankruptcy Code to the UMWA (the “Original Proposal”). Following delivery of the Original Proposal, Patriot and the UMWA engaged in negotiations and on January 17, 2013, Patriot amended the Original Proposal (the “Second Proposal”) to respond to certain of the UMWA’s concerns. Patriot and the UMWA continued to negotiate, and Patriot delivered a third proposal on February 19, 2013 (the “Third Proposal”) in an attempt to reach a compromise. On February 26, 2013, Patriot delivered a further revised proposal (the “Fourth Proposal”) to respond to certain concerns expressed by the UMWA with respect to coverage for the Peabody-Assumed Group (as defined below). On April 10, 2013, after further negotiations, Patriot delivered a further revised proposal (the “Fifth Proposal”) that contains several key changes to respond to the concerns raised by the UMWA at the bargaining table. These changes include:

- Instead of the unsecured claim that was a component of prior 1114 proposals, the UMWA would be granted a direct 35% equity stake in the reorganized enterprise. The equity stake could be monetized, in whole or in part, generating a substantial cash contribution to the Trust, which is expected to be worth hundreds of millions of dollars. Granting the UMWA an equity stake in the reorganized enterprise instead of an unsecured claim will greatly simplify the monetization process because, unlike an unsecured claim, the value of the equity stake does not depend on the size, treatment and composition of the overall claims pool. The equity stake could be sold at any time and the UMWA, which we understand has its own valuation estimates for the enterprise, will be well positioned to estimate the amount of funding that will be available for the Trust.
- The date on which retiree healthcare will be transitioned to the Trust will be extended by six months to January 1, 2014, provided the UMWA consents to the funding arrangement set forth below. If the UMWA consents, UMWA retirees and their beneficiaries will continue to receive their current level of benefits throughout that time. These benefits would be paid for by the \$15 million that was to have been initially contributed to the Trust and \$21 million of funding from the UMWA. The purpose of this extension is to afford the UMWA ample time to monetize the equity stake and establish the Trust. The extension will also allow UMWA retirees and beneficiaries to continue to receive their current level of benefits until the healthcare options associated with the Patient Protection

and Affordable Care Act (“PPACA”) become available on January 1, 2014. If the UMWA does not consent, then the Plan Transition Date will remain July 1, 2013.

- In addition to the Profit-Sharing Contribution that was a component of prior 1114 proposals, the Obligor Companies would also pay a Royalty Contribution for every ton produced at all existing mining complexes. This obligation could raise additional tens of millions for the Trust based on current production estimates.
- Patriot has accepted the UMWA’s litigation trust proposal verbatim, except that the funding obligation has been reduced to a level Patriot can afford, and the appointment of members will be evenly apportioned between the UMWA and the Committee.
- As set forth in Patriot’s revised Section 1113 Proposal, Patriot will attempt to ensure that the UMWA 1974 Pension Plan does not receive an unsecured claim by seeking to negotiate a post-emergence payment stream that is mutually acceptable to Patriot and the UMWA 1974 Pension Plan or otherwise conforms to ERISA § 4219(c)(1)(A), at Patriot’s option.

Unfortunately, Patriot simply does not have the financial resources to support its current benefit levels and will not survive without substantial changes across its cost structure. While we very much regret that these changes are necessary, we hope and trust that the UMWA will work with us on a collaborative basis to achieve a successful reorganization. Failure to reorganize will almost surely lead to a devastating loss of jobs and healthcare coverage for more than 21,000 active workers, retirees and their dependents.

PROPOSED MODIFICATIONS

This Section 1114 Proposal is submitted by those Debtors listed on *Exhibit 1* (hereinafter, the “Obligor Companies”) with responsibility for providing healthcare benefit programs to non-Coal Act UMWA represented retirees and their eligible dependents, including surviving spouses (collectively, “UMWA Retirees”) pursuant to the Welfare Benefit Plans For UMWA Represented Employees Of Certain Patriot Subsidiaries Pursuant to Me Too Labor Agreements (the “NBCWA Plan”).

1. As a threshold matter, Patriot’s applicable subsidiaries currently expect to honor their obligations with respect to Coal Act retirees and beneficiaries. In 2012 alone, these subsidiaries spent approximately \$14 million for healthcare for this group of retirees.
2. The NBCWA Plan shall be amended to delete the existing provisions related to health benefit programs for the UMWA Retirees and to replace such provisions with language reflecting the transition of healthcare coverage for the UMWA Retirees as set forth below. If the UMWA consents to the funding arrangement set forth in this paragraph 2 (the “Funding Mechanism”), such amendment will be effective (the “Plan Transition Date”) on January 1, 2014. The Obligor Companies will continue to honor valid healthcare charges for UMWA Retirees for services and treatment provided prior to the Plan Transition Date in accordance with their terms (“Unreported Charges”). The

liability of the Obligor Companies for health benefits paid from July 1, 2013 until January 1, 2014 is estimated to be \$36 million. To ensure that there is sufficient funding to cover such charges, the UMWA would provide a loan to the Trust (as defined below) of \$21 million (the "UMWA Loan"). The UMWA Loan would be secured by the Trust's equity stake in the reorganized enterprise. The Trust would use the proceeds from the UMWA Loan to reimburse the Obligor Companies for healthcare benefits paid for the six month period from July 1, 2013 until January 1, 2014. Following the eventual monetization of all or a portion of the Trust's equity stake, the Trust would repay the UMWA Loan. If the UMWA does not consent to the Funding Mechanism, the Plan Transition Date will remain July 1, 2013 as set forth in the Fourth Proposal.

3. Effective as of July 1, 2013, a "UMWA Retiree Healthcare Trust" (the "Trust") would be created. The Trust would be structured as a voluntary employees' beneficiary association ("VEBA"). The Trust would be established and administered by the UMWA Funds, and all decisions regarding the use of the funds in the VEBA as well as eligibility, administration, participation, program designs and benefit levels would be made by the UMWA Funds. If the UMWA Funds will not or cannot as a matter of law serve as the administrator of the Trust, the UMWA would perform this function. The Debtors shall not be responsible for administration of the Trust or any costs, claims, decisions, actions or omissions related thereto. The Debtors will cooperate with the administrator of the Trust to facilitate the transition of retiree healthcare to the VEBA.
4. The Trust would be the exclusive vehicle to fund and administer all healthcare costs incurred by UMWA Retirees on or after the Plan Transition Date. Except for (i) any Profit Sharing Contributions payable as provided in paragraph 8 below or (ii) any Royalty Contributions payable as provided in paragraph 9 below, or (iii) as otherwise specifically provided in paragraph 2 with respect to Unreported Charges, the Debtors shall have no liabilities with respect to the UMWA Retirees and/or the Trust, including, but not limited to, liabilities associated with the Peabody-Assumed Group (as defined below).
5. A significant source of funding for the Trust would include an equity stake in the emerging enterprise. Under the Fifth Proposal, the UMWA would be granted a 35% share of the stock of reorganized Patriot instead of the allowed unsecured claim that was a component of the prior 1114 proposals. VEBA trusts have been used successfully in a number of prior reorganizations, with unions choosing to monetize their equity stakes to provide a significant and secure source of funds to pay for future retiree health benefits. With the extension of the Plan Transition Date to January 1, 2014, Patriot believes the UMWA will have ample opportunity, with Patriot's assistance or otherwise, to pursue monetization opportunities for the equity stake and achieve a cash contribution worth hundreds of millions of dollars for the VEBA.
6. Patriot recognizes that Peabody Holding Company, LLC ("Peabody") will take the position that implementation of the 1114 Proposal would relieve Peabody of its obligations (or reduce such obligations) to pay for the healthcare of those UMWA Retirees whose healthcare liabilities Peabody assumed in connection with Patriot's spin-

off (the “Peabody-Assumed Group”). To prevent Peabody from evading its obligations to these retirees and benefiting from Patriot’s bankruptcy, Patriot has sought a judicial determination (the “Judicial Determination”) that the obligations of Peabody with respect to the Peabody-Assumed Group would not be relieved or reduced in the event that benefits are reduced pursuant to the 1114 process for any of the Obligor Companies. Patriot sought the Judicial Determination at the same time it presented to the Bankruptcy an application for rejection pursuant to section 1114 (the “1114 Application”), and would continue to press for such a determination in the event of a consensual resolution with the UMWA. Since the Obligor Companies cannot afford to pay for the healthcare of the Peabody-Assumed Group if Peabody’s obligations are relieved or reduced, the 1114 Proposal shall apply to all non-Coal Act retirees of the Obligor Companies, including the Peabody-Assumed Group, unless the Bankruptcy Court rules in Patriot’s favor on the Judicial Determination, in which case (a) if such ruling is issued before the Court rules on the 1114 Application, the 1114 Proposal shall not apply to the Peabody-Assumed Group; and (b) if such ruling is issued after the Court rules on the 1114 Application, the 1114 Proposal shall be modified *nunc pro tunc* to the date of the 1114 Application and shall not apply to the Peabody-Assumed Group. In each case, Peabody would continue to fulfill its obligations with respect to the Peabody-Assumed Group in the manner provided under the NBCWA Individual Employer Plan Liabilities Assumption Agreement, as it does today. For the avoidance of doubt, this Proposal is not conditioned on Peabody’s consent or to any commitment by Peabody to continue to provide funding with respect to the Peabody-Assumed Group or otherwise.

7. We also believe additional steps can be taken by the UMWA to achieve substantial savings that will assist the UMWA Funds in managing the finances of the Trust. These steps include the following:
 - a. Restructure existing benefit plan designs to align more closely with healthcare coverage offered by many U. S. companies. While we recognize many in this group have become accustomed to the level of benefits they currently receive, the existing plan provides an unsustainable high-cost level of coverage that does not promote the efficient and reasonable use of healthcare benefits. To that point, the NBCWA Plan is projected to qualify as a “Cadillac Plan” under the Patient Protection and Affordable Care Act (“PPACA”), which would be subject to federal government excise taxes beginning in 2018. Institution of mainstream cost containment solutions similar to those we unsuccessfully attempted to introduce in prior discussions with the UMWA and those contained in the PPACA, will help achieve necessary and reasonable savings while still providing a very good healthcare benefit.
 - b. Utilization of the UMWA Funds’ buying power to obtain greater healthcare cost discounts. As you are aware, we previously explored opportunities to have the Funds administer the UMWA retiree healthcare benefits for the Obligor Companies’ UMWA retirees, which were projected to generate annual savings of \$12-15 million. Unfortunately, those cooperative efforts between the UMWA and the Obligor Companies were rejected by one of the settlors, the Bituminous Coal Operators’ Association.

- c. Medicare eligible UMWA Retirees are eligible for cost efficient programs, such as Medicare Advantage, that exist to supplement the benefits these individuals are eligible to receive through government sponsored healthcare programs.
 - d. Effective January 1, 2014, as a result of PPACA, there will be a host of additional healthcare options available for Pre-Medicare UMWA Retirees, including healthcare exchanges that are expected to enable the Trust to provide high quality healthcare benefits at lower costs.
- 8. The Obligor Companies would agree to create a profit sharing mechanism as an additional funding source for the VEBA. Under this arrangement, the Obligor Companies would agree to contribute to the VEBA an amount equal to 15% of net income earned by Patriot above \$75 million in each of 2014 and 2015 and an amount equal to 15% of net income earned by Patriot above \$150 million in 2016 and subsequent years (“Profit Sharing Contributions”). Any such contribution would not exceed \$75 million annually – the approximate amount of the current annual liability of the Obligor Companies with respect to non-Coal Act retiree healthcare – and the total of all such Profit Sharing Contributions would be capped at \$300 million in the aggregate. In addition, any such payment by the Obligor Companies would only be due and payable if Patriot’s liquidity exceeds the greater of \$125 million or 125% of its then applicable minimum liquidity requirements in its debt covenants (after taking the amount of any such payment into account). For purposes of this computation, net income would exclude any non-cash, non-recurring, or extraordinary gains. Any Profit Sharing Contributions made with respect to a calendar year shall be calculated and paid to the VEBA within 120 days following the end of such calendar year.
- 9. The Obligor Companies would also agree to pay a per-ton royalty to the Trust (“Royalty Contributions”) for each ton produced from all existing mining complexes. For tons up to the amounts reflected in each year of Patriot’s October 2012 five year business plan (Data Room ID number 1.2.2.3; hereinafter, the “Five Year Business Plan”), the Royalty Contribution shall be \$0.20 per ton in such year. For tons beyond the amounts reflected in each year of the October 2012 Five Year Business Plan, the Royalty Contribution shall be \$1.00 per ton in such year. The threshold for determining tons subject to the \$1.00 royalty for years after 2016 (the final year of the Five Year Business Plan) would be the same as 2016. The Royalty Contributions would not be capped and continue in perpetuity, unless altered in a subsequent collective bargaining agreement.
- 10. Any and all disputes concerning the UMWA Retirees and/or the Trust, including, but not limited to, the establishment, meaning, interpretation and application of the Trust and related agreements shall be decided by the Bankruptcy Court so long as the Bankruptcy Court maintains jurisdiction over such matters. In the event a dispute arises after the Debtors emerge from Chapter 11, and the Bankruptcy Court no longer retains jurisdiction over the dispute, the United States District Court for the Eastern District of Missouri shall be the sole and exclusive jurisdiction for the filing of any such matter. All disputes concerning administration of the Trust, including, but not limited to, issues of eligibility,

plan design, benefit levels, coverage, payment or denial of benefits, and rules and requirements established by the Trustees or the Plan Administrator regarding any aspect of the Trust's operation shall be resolved in accordance with the resolution of disputes process established by the trustees of the Trust.

11. A Litigation Trust will be established (the "Litigation Trust") to pursue claims or causes of action for, or on behalf of Patriot against Peabody Energy Corporation or Arch Coal, Inc., or any of these entities' predecessors, successors, affiliates, subsidiaries, joint ventures, owners, directors, managers, or advisors. The trust shall be funded by a contribution of \$2 million to be made upon the Patriot's emergence from bankruptcy. All rights to commence and pursue, as appropriate, any and all such claims or causes of action for, or on behalf of Patriot, whether arising before or after the Petition Date shall vest in a Litigation Trust and be pursued by the Litigation Trustee. In addition, any and all such claims or causes of action in which Patriot is a complainant or plaintiff commenced on or before the date an Agreement is executed, whether commenced before or after the Petition Date, shall vest in the Litigation Trust. Creation of the Litigation Trust will not prohibit the UMWA, the UMWA 1974 Pension Plan and Trust or any other party-in-interest from separately pursuing claims against third parties.
12. A five person Oversight Committee (the "Litigation Trust Committee") will be established to oversee the Litigation Trust and serve as or appoint the Litigation Trustee. The Litigation Trust Committee will consist of two members appointed by the UMWA, two members appointed by the Committee of Unsecured Creditors ("Committee"), and one member appointed jointly by the UMWA and the Committee. Net proceeds of any judgment, settlement or other recovery obtained in an action brought by the Litigation Trust shall be distributed as follows: 20% to Reorganized Patriot; and, 80% to unsecured creditors, until such creditors receive 100% recovery plus interest, with any net residual proceeds after unsecured creditors have been paid 100% plus interest to be distributed to Patriot shareholders. Provided, however, that 100% of the net proceeds of any judgment, settlement or other recovery obtained in an action commenced by the Litigation Trust involving the obligation to provide UMWA retiree healthcare shall be distributed entirely to the UMWA for healthcare, unless such proceeds would constitute a double-recovery, in which case any such proceeds would be distributed in the manner described in the preceding sentence.

EXHIBIT 1

List all Obligor Companies

Apogee Coal Company, LLC

Colony Bay Coal Company

Dakota LLC

Eastern Associated Coal, LLC

Heritage Coal Company, LLC

Highland Mining Company, LLC

Hobet Mining, LLC

Martinka Coal Company, LLC

Mountain View Coal Company, LLC

Pine Ridge Coal Company, LLC

Rivers Edge Mining, Inc.

Yankeetown Dock, LLC