THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT MAY BE REVISED TO REFLECT EVENTS THAT OCCUR AFTER THE DATE HEREOF BUT PRIOR TO BANKRUPTCY COURT APPROVAL OF THE DISCLOSURE STATEMENT.

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re: Peabody Energy Corporation, et al., Debtors.[1]	Case No. 16-42529-399 CHAPTER 11 Jointly Administered

~~FIRST~~SECOND AMENDED DISCLOSURE STATEMENT WITH RESPECT TO ~~FIRST~~SECOND AMENDED JOINT PLAN OF REORGANIZATION OF DEBTORS AND DEBTORS IN POSSESSION

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Dated: January ~~25~~27, 2017

[1] The addresses for each of the Debtors are set forth in the Debtors' chapter 11 petitions.

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IMPORTANT INFORMATION FOR YOU TO READ

THE DEADLINE TO VOTE ON THE PLAN IS MARCH 3, 2017 AT 5:00 P.M. PREVAILING CENTRAL TIME, UNLESS EXTENDED BY THE DEBTORS (THE "VOTING DEADLINE").

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE *ACTUALLY RECEIVED* BY THE CLAIMS AND BALLOTING AGENT BEFORE THE VOTING DEADLINE AS DESCRIBED HEREIN.

PLEASE BE ADVISED THAT ARTICLE V.E. OF THE PLAN CONTAINS RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. YOU SHOULD REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MAY BE AFFECTED.

Peabody Energy Corporation and 152 of its direct and indirect subsidiaries, as the above-captioned debtors and debtors in possession (collectively, the "Debtors"), are providing you with the information in this Disclosure Statement because you may be a creditor entitled to vote on the ~~*First*~~*Second Amended Joint Plan of Reorganization of Debtors and Debtors in Possession* (along with all Confirmation Exhibits attached thereto or referenced therein, and as amended, supplemented and modified from time to time, the "Plan").

The Debtors believe that the Plan is in the best interests of creditors and other stakeholders. All creditors entitled to vote on the Plan are urged to vote in favor of it. A summary of the voting instructions is set forth beginning on page 79 of this Disclosure Statement and in the order (the "Disclosure Statement Order") approving this Disclosure Statement. More detailed instructions are contained on the ballots distributed to the creditors entitled to vote on the Plan. To be counted, your ballot must be duly completed, executed and *actually received* by the Debtors' claims, noticing and balloting agent, Kurtzman Carson Consultants, LLC (the "Claims and Balloting Agent"), by 5:00 p.m., prevailing Central Time, on March 3, 2017, unless this deadline is extended by the Debtors.

The effectiveness of the proposed Plan is subject to material conditions precedent. See Sections VIII.D. and VIII.E. There is no assurance that these conditions will be satisfied or waived.

This Disclosure Statement and any accompanying letters are the only documents to be used in connection with the solicitation of votes on the Plan. No person is authorized by the Debtors to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits attached hereto or incorporated by reference or referred to herein. If given or made, such information or representation may not be relied upon as having been authorized by the Debtors. Although the Debtors will make available to creditors entitled to vote on the Plan such additional information as may be required by applicable law prior to the Voting Deadline, the delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time after the date hereof.

ALL CREDITORS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED HERETO AS EXHIBIT A AND THE RISK FACTORS DESCRIBED IN SECTION XII, PRIOR TO SUBMITTING BALLOTS IN RESPONSE TO THIS SOLICITATION.

The summaries of the Plan and other documents contained in this Disclosure Statement are qualified in their entirety by reference to the Plan itself, the documents listed in the "Table of Exhibits" in the Plan (collectively, the "Confirmation Exhibits") and the documents described therein as filed in the above-captioned Chapter 11 Cases prior to approval of this Disclosure Statement or subsequently as supplemental materials. In the event that any inconsistency or conflict exists between this Disclosure Statement and the Plan, the terms of the Plan will control. All Confirmation Exhibits and other documents that supplement the Plan have been filed or will be filed within ten (10) calendar days before the Confirmation Hearing with the United States Bankruptcy Court for the Eastern District of Missouri (the "Bankruptcy Court"). These supplemental agreements

and documents are referenced in the Plan and the Disclosure Statement and will be available for review at www.kccllc.net/peabody (the "Document Website"), once they are filed.

This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan being proposed by the Debtors. As set forth in Sections I.A.53., II.H. and X.A. of the Plan, the Debtors reserve the right to modify the Plan, subject to the Creditor Approval Rights (as applicable) consistent with section 1127 of title 11 of the United States Code (as now in effect or hereafter amended, the "Bankruptcy Code") and Rule 3019 of the Federal Rules of Bankruptcy Procedure (together with the local rules of the Bankruptcy Court, as now in effect or hereafter amended, the "Bankruptcy Rules").

The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement. There can be no assurance that the statements contained herein will be correct at any time hereafter. The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, the financial information regarding the Debtors and the liquidation analysis relating to the Debtors, is included for purposes of soliciting acceptances of the Plan, but, as to contested matters and adversary proceedings, is not to be construed as admissions or stipulations, but rather as statements made in settlement negotiations as part of the Debtors' attempt to settle and resolve their liabilities pursuant to the Plan. This Disclosure Statement will not be admissible in any non-bankruptcy proceeding, nor will it be construed to be conclusive advice on the tax, securities or other legal effects of the Plan as to those holding Claims[2] against, or Interests[3] in, either (a) the Debtors and their non-debtor affiliates (together, the "Company") or (b) the Reorganized Debtors.[4] Except where specifically noted, the financial information contained in this Disclosure Statement and in its exhibits has not been audited by a certified public accountant and may not have been prepared in accordance with generally accepted accounting principles in the United States.

For a discussion of Plan-Related Risk Factors, see Section XII of the Disclosure Statement below.

FORWARD-LOOKING STATEMENTS

This Disclosure Statement contains forward-looking statements based primarily on the current expectations of the Debtors and projections about future events and financial trends affecting the financial condition of the Debtors' businesses and assets. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "expect" and similar expressions identify these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described below under the caption "Plan-Related Risk Factors" in Section XII. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this Disclosure Statement may not occur, and actual results could differ materially from those anticipated in the forward-looking statements. Although presented with numerical specificity, the Debtors' consolidated financial projections, attached as Exhibit C to the Disclosure Statement, are based upon a variety of estimates and assumptions, which, although considered reasonable by management, may not be realized, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Debtors. The

[2] "Claim" means a claim, as defined in section 101(5) of the Bankruptcy Code, against a Debtor or its Estate.

[3] "Interest" means the rights of the holders of the common stock, membership interests, partnership interests or other equity interests issued by a Debtor and outstanding immediately prior to the Petition Date, and any options, warrants or other rights with respect thereto, or any other instruments evidencing an ownership interest in a Debtor and the rights of any Person to purchase or demand the issuance of any of the foregoing, including: (a) redemption, conversion, exchange, voting, participation and dividend rights (including any rights in respect of accrued and unpaid dividends); (b) liquidation preferences; (c) stock options and warrants; and (d) any "Equity Security" (as defined in section 101(16) of the Bankruptcy Code) in any Debtor.

[4] "Reorganized Debtors" means, on and after the Effective Date, subject to the Restructuring Transactions, each of the Debtors as to which the Plan is confirmed, including but not limited to Reorganized PEC, but excluding the Gold Fields Debtors~~5~~.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF EXHIBITS

In the aggregate, the Creditor Co-Proponents hold approximately (as of January 12, 2017): (A) $528,135,898 in principal amount of the First Lien Lender Claims;[5] (B) 41.28% of the total amount of the Second Lien Notes;[6] and (C) 48.75% of the total amount of the Unsecured Senior Notes.[7]

To memorialize their agreement on the key tenets of the Plan, the Debtors and the Creditor Co-Proponents are party to the PSA. On January 18, 2017, the Debtors, the Noteholder Steering Committee and the Creditors' Committee reached the terms of a material settlement with respect to the Plan, the PSA, the Backstop Commitment Agreement, the Private Placement Agreement and any other documents contemplated by each of the foregoing (the "Creditors' Committee Settlement"). The Plan represents a global and integrated compromise and settlement between the Debtors and the Creditor Co-Proponents (the "Global Settlement").

The Debtors and the Creditor Co-Proponents believe that the Plan and the Global Settlement are (a) the best means to efficiently and effectively pave the way for the Debtors' emergence from bankruptcy, (b) the best outcome for the Debtors' stakeholders and (c) a reasonable and appropriate global and integrated settlement and compromise.

On [_____], 2017, the Bankruptcy Court entered an order (Docket No. [__]) (the "Disclosure Statement Order") approving this Disclosure Statement as containing "adequate information," *i.e.*, information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of the holders of Claims or Interests to make an informed judgment about the Plan. **THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN NOR AN ENDORSEMENT OF THE MERITS OF THE PLAN BY THE BANKRUPTCY COURT.**

The Company is the world's largest private-sector coal company. The Company serves thermal and metallurgical coal customers in 25 countries. The Company's operating model includes two business units, one in the U.S. and one in Australia, a marketing and trading services function and a lean and scalable corporate structure offering strategy, compliance and shared services. The core segments of the Company's business include the Powder River Basin ("PRB") mining (the "PRB Mining"), Illinois Basin mining (the "Illinois Basin Mining") and Australia metallurgical and thermal mining ("Australian Metallurgical Mining" and "Australian Thermal Mining," respectively, and collectively, the "Australian Mining Operations"). The Company owns interests in 25 active coal mining operations located in the United States and Australia. As of December 31, 2015, the Company's property holdings included more than 6.0 billion tons of proven and probable coal reserves and approximately 500,000 acres of surface property. As of April 13, 2016 (the "Petition Date"), the Company employed nearly 7,100 skilled employees intent on creating maximum value in a major component of the energy industry.

The Debtors operate in a competitive and highly regulated industry that, for years prior to the Petition Date, experienced strong headwinds and challenging supply/demand fundamentals. These factors were driven by declining demand and pricing in the U.S. largely due to the increased demand for natural gas generation and renewables, while seaborne metallurgical and thermal coal prices declined primarily related to lower Chinese coal imports and increased export supplies. These and other factors resulted in a 21.0 million ton decline in the Company's coal sales volume during 2015. Recently, the seaborne coal industry has seen sharp upturns in pricing due to restrictive production policies in China that have led to increased imports. The Debtors and a

[5] "First Lien Lender Claims" means, collectively, any Claims evidenced by, arising under or in connection with the First Lien Credit Agreement Documents or other agreements related thereto which shall be Allowed in an amount as agreed between the Debtors and the Requisite First Lien Lender Co-Proponents or as determined by the Bankruptcy Court at the Confirmation Hearing.

[6] "Second Lien Notes" means the 10.00% senior secured notes due March 2022 issued under the Second Lien Notes Indenture.

[7] "Unsecured Senior Notes" means, collectively, the 2018 Senior Notes, the 2020 Senior Notes, the 2021 Senior Notes and the 2026 Senior Notes.

vast majority of third-party analysts do not believe that these prices will be sustainable over time for multiple reasons, and spot prices for seaborne thermal and metallurgical coal have already come off their recent highs. Sections III.J.1. and V below contain more detail on the prepetition and postpetition industry, respectively.

Prior to the commencement of these Chapter 11 Cases, the Debtors aggressively engaged in a series of activities to improve the business by focusing on core operational, organizational, portfolio and financial areas of the business. However, due to a number of near-term pressures placed on the Debtors' liquidity, including increasing calls for collateral, erosion in the industry demand as described above and the lack of completion of the Four Star Transaction (as defined herein), the Debtors determined, in their business judgment, that commencement of these Chapter 11 Cases on the Petition Date was the best course to preserve and maximize liquidity and value for their stakeholders.

Capitalized terms not otherwise defined herein shall have the meanings given to them in the Plan. All dollar amounts provided in this Disclosure Statement and in the Plan are given in United States dollars unless otherwise noted. The Plan is attached hereto as Exhibit A to this Disclosure Statement.

A. Overview of the Plan

The Debtors' restructuring (the "Restructuring") will be implemented through the Plan. The Restructuring contemplated by the Plan will reduce the Debtors' debt burden by over $6.6 billion, a necessary step for the Company's financial health given the volatile industry in which the Company operates. The Plan will provide creditors with recoveries, funded in large part by a $1.5 billion first lien exit facility (the "Exit Facility"), subject to being upsized as described herein, a $750 million rights offering (the "Rights Offering") available to holders of Allowed Second Lien Notes Claims in Class 2 and Allowed General Unsecured Claims in Class 5B (General Unsecured Claims against the Encumbered Guarantor Debtors)[8] as of the Rights Offering Record Date[9] and a $750 million direct investment (the "Private Placement") by the Noteholder Co-Proponents and certain additional creditors who become party to the Rights Offering Backstop Commitment Agreement[10] and the Private Placement Agreement.[11]

The First Lien Lender Co-Proponents have agreed that holders of First Lien Lender Claims will backstop the Exit Facility to ensure consummation of the Plan by agreeing to take up to $1.5 billion in take-back paper (the "Replacement Secured First Lien Term Loan") subject to certain restrictions as set forth in Section IV.D. of the Plan, and on the principal terms and conditions set forth on Exhibit I.A.~~195~~196. to the Plan in the event the Debtors are unable to raise a $1.5 billion Exit Facility prior to the Effective Date. Similarly, the *Ad Hoc* Group of Second Lien Noteholders has agreed that, in the Debtors' sole discretion, in partial satisfaction of their Claims, the Second Lien Noteholders may receive $450 million in cash, $450 million of first lien debt on the same terms as the Exit Facility (the "Additional First Lien Debt") or $450 million of new second lien notes (the "New Second Lien Notes") on the material terms and conditions set forth on Exhibit I.A.~~150~~151. to the Plan. Finally, the Noteholder Co-Proponents and other parties to the Rights Offering Backstop Commitment Agreement have agreed to backstop the $750 million Rights Offering and invest through the $750 million Private Placement in order to ensure that the Debtors raise the $1.5 billion that will be necessary to consummate

[8] A list of the Encumbered Guarantor Debtors is attached hereto as Exhibit D.

[9] "Rights Offering Record Date" means the record date for determining the eligibility of a holder of an Allowed Claim in Class 2A, 2B, 2C, 2D or 5B to participate in the Rights Offering, which date shall be the date on which the Bankruptcy Court enters an order approving the Disclosure Statement.

[10] "Rights Offering Backstop Commitment Agreement" means that certain Backstop Commitment Agreement, subject to the Creditor Approval Rights (as applicable), dated December 22, 2016, by and among the Rights Offering Backstop Parties and PEC, as amended on December 28, 2016, as may be amended or modified from time to time in accordance with its terms.

[11] "Private Placement Agreement" means that certain Private Placement Agreement, subject to the Creditor Approval Rights, dated December 22, 2016, by and among PEC and the Private Placement Parties, as amended on December 28, 2016, and as may be amended or modified from time to time in accordance with its terms.

the Plan. These significant financial contributions from these large creditor constituencies are part of the Global Settlement, and the Global Settlement serves as the cornerstone of the Plan.

Finally, as discussed in more detail in Sections IV and V below, the Global Settlement is premised upon a consensual resolution of a number of complex issues that have been the subject of extensive and vigorous negotiations postpetition among the Debtors and various creditor constituencies, including Citibank and the First Lien Lender Co-Proponents, the *Ad Hoc* Group of Second Lien Noteholders and the *Ad Hoc* Group of Unsecured Senior Noteholders. The Plan also provides for certain releases and exculpation for the Debtors and other Released Parties.[12] These releases and exculpation provisions are found in Section V.E. of the Plan and discussed in Section VIII.H. herein.

While the Debtors have received a series of alternative plan proposals from an *Ad Hoc* Committee of Non-Consenting Noteholders (the "Dissenting Committee"), the Debtors have chosen not to pursue these proposals for a variety of reasons. The Debtors believe the proposals fail to achieve any number of the Debtors' goals of (1) preserving liquidity for operations and contingencies in an uncertain and volatile coal industry, (b) "right sizing" the debt burden of the Reorganized Debtors (as defined herein) so that they can survive both the peaks and troughs of the coal industry cycles, (c) maximizing value to the extent possible for all creditors and (d) achieving the broadest possible consensus for a plan of reorganization.

1. The Global Settlement

The Plan is premised on the Global Settlement, which is the result of months of intensive, hard fought and arms' length negotiations between the Debtors, the Creditor Co-Proponents and the Creditors' Committee, including in connection with mediation under the supervision of the Honorable James L. Garrity, Jr. of the United States Bankruptcy Court for the Southern District of New York. Beginning in the fall of 2016, the Debtors actively engaged in good-faith negotiations with the Creditor Co-Proponents, the Creditors' Committee and each of their respective advisors to negotiate the terms of a restructuring proposal that could form the basis of a reasonable and workable chapter 11 plan. In order for the Debtors' various competing creditor constituencies to understand the scope and complexity of both the Debtors' businesses, including current operations and financial projections, as well as potential liabilities, the principals of the various Creditor Co-Proponents and the Creditors' Committee and their advisors were provided access to a voluminous body of confidential and non-public information and documentation relating to the Company's operations. Additionally, the Debtors, Lazard Frères & Co. LLC ("Lazard"), FTI Consulting, Inc., and Jones Day responded to, and participated in numerous meetings to address questions raised by these creditor constituencies and their advisors. Multiple in-person meetings were held in New York between the Debtors and various parties to the mediation where several plan term sheets and settlement proposals were exchanged between and among various parties. In December 2016, after nearly four months of negotiating, the Debtors and the Creditor Co-Proponents reached an agreement on the material terms of the Plan.

To document their respective commitments to support the Plan and to undertake the necessary steps to implement the Plan, on December 22, 2016, the Debtors and the Creditor Co-Proponents entered into the PSA. From the Debtors' execution of the PSA until the PSA is terminated in accordance with its terms (the "Non-Solicitation Period"), the Debtors will not, and will not permit their affiliates or their respective officers, directors, agents or representatives to initiate contact with, pursue, knowingly facilitate, or solicit, any inquiries, proposals or offers by any party (other than the Creditor Co-Proponents) with respect to an alternative restructuring.

[12] "Released Parties" means, collectively and individually, and, in each case, solely in their capacity as such: (a) the Debtors; (b) the Estates; (c) the Reorganized Debtors; (d) Citibank, in all of its capacities under the First Lien Credit Documents and the DIP Documents (as defined in the DIP Facility Credit Agreement); (e) the First Lien Lenders; (f) the DIP Facility Lenders; (g) the Creditor Co-Proponents, in their capacity as such and in their capacity as First Lien Lenders, Second Lien Noteholders, Unsecured Senior Noteholders, holders of 2066 Unsecured Subordinated Debentures and holders of PEC Interests (as applicable) and holders; (h) the Indenture Trustees; (i) the Creditors' Committee and its members (solely in their capacities as such); (j) the Securitization Parties; (k) the Designated Co-Administrator and (j) with respect to (a) through (j), each such Person's respective Representatives in their capacity as such.

Pursuant to the PSA, the Restructuring must be implemented in accordance with the following milestones (the "Restructuring Milestones"):

- By no later than December 22, 2016, the Debtors were required to file (a) the Plan; (b) the Disclosure Statement; (c) a motion seeking approval of the Private Placement Agreement and the Rights Offering Backstop Commitment Agreement; and (d) a motion seeking approval of the Disclosure Statement that complies with section 1125 of the Bankruptcy Code;
- By no later than January 11, 2017, the Debtors were required to file a motion seeking approval of a commitment letter or an engagement letter with one or more reputable financial institutions acceptable to the Debtors (the "Lead Arrangers") pursuant to which the Lead Arrangers shall have provided commitments for the Exit Facility in a principal amount of not less than $1.5 billion or agreed to use commercially reasonable efforts to arrange for commitments for the Exit Facility in a principal amount of not less than $1.5 billion;
- By no later than January 31, 2017, an order approving the Private Placement Agreement and the Rights Offering Backstop Commitment Agreement (including approval of the fees set forth therein in connection with the Private Placement Agreement and the Rights Offering Backstop Commitment Agreement as allowed Administrative Expense Claims under section 503(b) of the Bankruptcy Code shall have been entered by the Bankruptcy Court);
- By no later than January 31, 2017, an order approving the Disclosure Statement and the commencement of solicitation for the Plan shall have been entered by the Bankruptcy Court;
- By no later than five (5) days after the date scheduled for the Confirmation Hearing by the Bankruptcy Court in the Disclosure Statement Order, the Confirmation Hearing shall have been commenced; and
- By no later than April 15, 2017, the Effective Date shall have occurred.

The Restructuring Milestones may be amended or modified by the Debtors only with consent of the Requisite Creditor Parties.[13]

The Debtors and the Creditor Co-Proponents have agreed to significant concessions as part of the Global Settlement, including, but not limited to, the (a) resolution of any dispute over the Company's valuation (the "Valuation Dispute"), (b) resolution of the dispute concerning the Debtors' Consolidated Net Tangible Assets under the First Lien Credit Agreement ("CNTA," and the dispute being litigated in the CNTA Dispute Adversary Proceeding,[14] the "CNTA Dispute") and (c) agreement that, for the purposes of calculating distributions to third party creditors as set forth below and in the Plan, all Intercompany Claims[15] (with certain limited exceptions) will be ignored. Also integral to the Global Settlement are the release and exculpation provisions for the Debtors and the other Released Parties as outlined in Section V.E. of the Plan and discussed in Section VIII.H. herein. The Plan Proponents believe that, absent such Global Settlement, these Chapter 11 Cases would require extensive and potentially prohibitively expensive litigation to the detriment of the Debtors' estates and all stakeholders.

As discussed in greater detail in Section I.~~I~~A herein, on January 18, 2017, after several weeks of negotiating with the Creditors' Committee following the filing of the Debtors' first *Joint Plan of Reorganization of Debtors and Debtors in Possession* (the "Original Plan") [Docket No. 1820] and the *Disclosure Statement with Respect to the Joint Plan of Reorganization of Debtors and Debtors in Possession* (the "Original Disclosure

[13] "Requisite Creditor Parties" means, as applicable, the Requisite First Lender Co-Proponents and the Requisite Consenting Noteholders.

[14] "CNTA Dispute Adversary Proceeding" means the adversary proceeding captioned Peabody Energy Corporation, *et al.* v. Citibank, N.A., *et al.*, Adversary Proceeding No. 16-04068, commenced on May 20, 2016 in the Bankruptcy Court.

[15] "Intercompany Claims" means (a) any Claim of any Debtor against any other Debtor, (b) any Claim of any Debtor against any non-Debtor Affiliate and (c) any Claim of any non-Debtor Affiliate against any Debtor.

Statement") [Docket No. 1821], the Debtors and the Noteholder Steering Committee agreed to the terms of the Creditors' Committee Settlement. See *Joint Notice of Settlement with the Creditors' Committee* [Docket No. 2066]. On January 24, 2017, the Debtors, the Noteholder Steering Committee and the Creditors' Committee agreed to the terms of a settlement with the 2066 Subordinated Indenture Trustee.

Consistent with the material terms and conditions described in Section VI herein, the Restructuring provides for, among other things, a reduction of the Debtors' debt burden by:

- Providing the lenders party to the First Lien Credit Agreement (along with their successors or assigns, the "First Lien Lenders") (a) a Pro Rata share of Cash equal to the full amount of their Allowed First Lien Lender Claims, including interest at the default rate (such treatment, a "First Lien Full Cash Recovery") or (b) solely to the extent that the Debtors have not received commitments for the full amount of the Exit Facility prior to the Effective Date in the aggregate principal amount of at least $1.5 billion, (i) each holder's Pro Rata share of a Replacement Secured First Lien Term Loan on the terms and conditions set forth on Exhibit I.A.~~195~~196. to the Plan in an aggregate principal amount of up to $1.5 billion, such principal amount to be calculated as set forth on Exhibit I.A.~~195~~196. to the Plan plus (ii) Cash in an amount equal to the difference between (I) the Allowed First Lien Lender Claims, including interest at the default rate, and (II) the aggregate principal amount of the Replacement Secured First Lien Term Loan (as that term is defined in the Plan) received pursuant to subsection (1) of Section II.B.2.a.iii.B. of the Plan;
- Providing Second Lien Noteholders with (a) at the option of the Debtors in their sole discretion (provided that in the case of (i) or (ii), the First Lien Full Cash Recovery occurs), their Pro Rata share of either $450 million in any combination of (i) Cash, (ii) principal amount of first lien debt on terms consistent with the Exit Facility (the "Additional First Lien Debt") and/or (iii) principal amount of New Second Lien Notes on the terms and conditions set forth on Exhibit I.A.~~150~~151. to the Plan; and (b)(i) their Pro Rata Split as of the Effective Date of Reorganized PEC Common Stock[16] (which shall be (I) subject to the dilution from the LTIP Shares,[17] the Preferred Equity[18] and the Penny Warrants[19] and (II) issued after giving effect to the issuance of the Rights Offering Shares,[20] the issuance of any shares of Reorganized PEC Common Stock issued on account of Incremental Second Lien Notes Claims[21] (the "Incremental Second Lien Shares"), any shares of Reorganized PEC Common Stock

[16] "Reorganized PEC Common Stock" means the shares of common stock of Reorganized PEC, $0.001 par value per share, to be initially authorized pursuant to the Plan as of the Effective Date, which initial issuance shall be subject to dilution by the LTIP Shares, the exercise of the conversion of the Preferred Equity and the exercise of the Penny Warrants.

[17] "LTIP Shares" means the shares, authorized as of the Effective Date for issuance pursuant to the LTIP equaling 10% of the fully-diluted Reorganized PEC Common Stock (after giving effect to the exercise of the Penny Warrants and the conversion of the Preferred Equity).

[18] "Preferred Equity" means the convertible preferred equity of Reorganized PEC offered for sale in connection with the Private Placement and convertible into shares of Reorganized PEC Common Stock at a 35% discount to Plan Equity value and with the other terms and conditions set forth on Exhibit I.A.173. to the Plan, which shall be initially subject to dilution by the LTIP Shares.

[19] "Penny Warrants" means warrants that will be issued on the Effective Date and exercisable from and after the Effective Date for a term of 90 days for 5% of the fully diluted Reorganized PEC Common Stock as of the Effective Date (after giving effect to the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon conversion of the Preferred Equity, but subject to dilution by the LTIP Shares, and any post-Effective Date issuances of capital stock, including pursuant to any dividend or make-whole provision described in Exhibit I.A.173. to the Plan), with an exercise price of $0.01 per share of Reorganized PEC Common Stock, half of which shall be issued to the Noteholder Co-Proponents and half of which shall be available for distribution to the subscribers for the Rights Offering Equity Rights, subject to the terms of the Rights Offering and the Rights Offering Backstop Commitment Agreement.

[20] "Rights Offering Shares" means units consisting of (a) shares of Reorganized PEC Common Stock valued at a 45% discount to Plan Equity Value and (b) the Rights Offering Penny Warrants, which will have a purchase price equal to 55% of the Plan Equity Value of the shares of Reorganized PEC Stock that are issued in connection with the exercise of the Rights Offering Equity Rights.

[21] "Incremental Second Lien Notes Claims" means the total amount of Second Lien Notes Claims in excess of $1.158 billion in the event the Effective Date occurs after April 3, 2017.

issued on account of the Consent Commitment Premium and Ticking Premiums[22] (collectively, the "Premium Shares"), the issuance of any Rights Offering Disputed Claims Reserve Shares;[23] and the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred Equity); and (c) the Pro Rata Split as of the Record Date (as those terms are defined in the Plan) of the Rights Offering Equity Rights;[24] and

- Providing holders of General Unsecured Claims (which include Unsecured Senior Notes Claims)[25] (a) on account of their Claims against PEC, with a Pro Rata share of $5 million plus certain additional amount if total payments to Convenience Claims against PEC do not exceed $2.0 million, (b) on account of their Claims against the Encumbered Guarantor Debtors, with ~~an option of (i)~~ such holder's Pro Rata share with other electing holders of (I) the Pro Rata Split as of the Effective Date of the Reorganized PEC Common Stock (which shall be (A) subject to the dilution from the LTIP Shares, Preferred Equity and the Penny Warrants and (B) issued after giving effect to the issuance of the Rights Offering Shares, the conversion of the Preferred Equity and the exercise of the Penny Warrants, any Incremental Second Lien Shares, any Premium Shares and the Disputed Claims Reserve Shares and the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred Equity) determined by the Pro Rata Split and (II) the Pro Rata Split as of the Rights Offering Record Date of the Rights Offering Equity Rights ~~or (ii)~~and the ability to elect such holder's Pro Rata share with other electing holders of the Class 5B Cash Pool; provided, however, that no claimholder electing to receive Distributions from the Class 5B Cash Pool shall be entitled to receive more than a 50% recovery on account of the face amount of their Allowed Claim in Class 5B; and (c) on account of their Claims against the Gold Fields Debtors,[26] an interest in a liquidating trust to be formed to hold and liquidate all of the assets and liabilities of the Gold Fields Debtors.

2. The Exit Facility, the Replacement Secured First Lien Term Loan and the New Second Lien Notes

The Debtors have begun the process to raise $1.5 billion dollars in the form of a new first lien Exit Facility. On January 11, 2017, the Debtors filed a motion to approve a commitment letter or an engagement letter with Goldman Sachs Bank USA ("Goldman Sachs"), JPMorgan Chase Bank, N.A. ("JPMorgan"), Credit Suissee AG ("CS") and Credit Suisse Securities (USA) LLC as Arrangers and Macquarie Capital Funding LLC, Goldman Sachs, CS and JPMorgan as Initial Lenders for the Exit Facility. The motion is scheduled to be heard on January 26, 2017 on an expedited basis. The aforementioned commitment letter provides that the Debtors must obtain, substantially on the terms set forth in the Plan, (a) $1.5 billion under a senior secured term loan facility, (b) at least $750 million of gross cash proceeds from a rights offering of equity interests, (c) at least $750 million of gross cash proceeds from the issuance of mandatorily convertible preferred stock and (d) the issuance and sale by the Debtors of no more than $450 million in aggregate principal amount of second lien notes. The proceeds of the Exit Facility would be used to make the Cash payments to the First Lien Lenders contemplated under the Plan. If the Debtors have not received commitments for the full amount of the Exit Facility in the aggregate amount of $1.5 billion, the Debtors may (a) enter into the Replacement Secured First Lien Term Loan, and holders of Allowed First Lien Lender Claims shall receive their Pro Rata share thereof and

[22] "Ticking Premiums" means the Private Placement Ticking Premium and the Rights Offering Backstop Ticking Premium.

[23] "Rights Offering Disputed Claims Reserve Shares" means the shares of Reorganized PEC Common Stock held in the Rights Offering Disputed Claim Reserve.

[24] "Rights Offering Equity Rights" means the non-transferable (other than in connection with transfer of the underlying Claim), non-certificated rights to purchase the Rights Offering Shares distributed to holders of Allowed Claims as of the Rights Offering Record Date in Classes 2A, 2B, 2C, 2D and 5B.

[25] "Unsecured Senior Notes" means, collectively, the 2018 Senior Notes, the 2020 Senior Notes, the 2021 Senior Notes and the 2026 Senior Notes.

[26] A list of the Gold Fields Debtors is attached hereto as Exhibit D

(b) choose to issue the Additional First Lien Debt or New Second Lien Notes to holders of Allowed Second Lien Notes Claims.

However, while the Debtors are committed to use their best efforts to raise the Exit Facility, it is possible that they will be unable to do so at all, or will not be able to do so on terms and conditions that are as good as or better than the Replacement Secured First Lien Term Loan. As a result, to ensure that the Plan can still go effective, the Debtors and the First Lender Group have negotiated the terms of the Replacement Secured First Lien Term Loan, which would be distributed to holders of First Lien Lender Claims on a Pro Rata basis if the Debtors are unable to raise the Exit Facility prior to the Effective Date in the aggregate principal amount of at least $1.5 billion. The Replacement Secured First Lien Term Loan would be in an aggregate principal amount up to $1.5 billion (such principal amount to be calculated as set forth on Exhibit I.A.~~195~~196. to the Plan), would be for a term of five (5) years, bear interest at the LIBOR Rate plus 900 basis points (subject to certain adjustments), have a 4% funding fee payable in Cash on the Effective Date and have the other material terms and conditions set forth on Exhibit I.A.~~195~~196. to the Plan. The foregoing high-level summary is qualified in its entirety by the more specific terms set forth on Exhibit I.A.~~195~~196. to the Plan, and creditors are encouraged to specifically review Exhibit I.A.~~195~~196. to the Plan for additional details regarding the terms of the Replacement Secured First Lien Term Loan.

If there is sufficient demand in the market, the Debtors, in their sole discretion (so long as the First Lien Full Cash Recovery occurs~~,~~) may increase the size of the Exit Facility up to $1.95 billion in order to provide sufficient funds to distribute $450 million in Cash to Second Lien Noteholders in accordance with Section IV.D. of the Plan.[27] However, in the event the Exit Facility is not upsized, the Debtors and the *Ad Hoc* Group of Second Lien Noteholders have negotiated the terms of the New Second Lien Notes, which may be distributed to the Second Lien Noteholders in the Debtors' sole discretion in lieu of the other forms of consideration set forth in Section II.B.2.b. of the Plan. The New Second Lien Notes would be in the aggregate principal amount of $450 million, would be for a term of six (6) years (subject to certain adjustments), bear interest at a rate equal to LIBOR, plus an applicable margin equal to 300 basis points over the highest all-in yield of any Permitted First Lien Indebtedness (as defined in Exhibit I.A.~~150~~151. to the Plan) and have the other material terms and conditions set forth on Exhibit I.A.~~150~~151. to the Plan. The foregoing high-level summary is qualified in its entirety by the more specific terms set forth on Exhibit I.A.~~150~~151. to the Plan, and creditors are encouraged to specifically review Exhibit I.A.~~150~~151. to the Plan for additional details regarding the terms of the New Second Lien Notes.

3. The Pro Rata Split

A fundamental component of the Global Settlement embodied in the Plan is the Pro Rata Split, which is used to calculate the allocation of Reorganized PEC Common Stock, Rights Offering Equity Rights and Rights Offering Penny Warrants (as defined below and in the Plan) between Second Lien Noteholders and the holders of General Unsecured Claims against the Encumbered Guarantor Debtors (Class 5B under the Plan). The Pro Rata Split is calculated as follows:

- In respect of Claims in Class 2 (Second Lien Notes Claims), the quotient of (a) $708 million divided by (b) the Allowed Claims in Class 5B plus $708 million.

- In respect of Claims in Class 5B (General Unsecured Claims against the Encumbered Guarantor Debtors), the quotient of (a) the Allowed Claims in Class 5B divided by (b) the Allowed Claims in Class 5B plus $708 million.

The Pro Rata Split for Reorganized PEC Common Stock to be initially issued on the Effective Date pursuant to Sections II.B.2.b.iii.B. and II.B.2.e.ii.B.1. of the Plan shall be determined based on Allowed Claims as of the Effective Date, with a reserve of Reorganized PEC Common Stock created for Disputed Claims (as

[27] If the Effective Date were to occur after April 3, 2017, this amount could be adjusted upwards in accordance with Section IV.D. of the Plan.

defined in the Plan) as of the Effective Date. The Pro Rata Split for the Rights Offering Equity Rights shall be determined based on Allowed Claims as of the Rights Offering Record Date as determined in accordance with the Rights Offering Procedures. Based on the Debtors' current midpoint estimation of the Allowed General Unsecured Claims in Class 5B, the Pro Rata Split would result in the following percentages: (a) in respect of claims in Class 2, 14.8%; and (b) in respect of Claims in Class 5B, 85.2%.

4. The Rights Offering, the Rights Offering Backstop Commitment Agreement and the Private Placement

The Plan contemplates two separate capital raises through the sale of equity interests in Reorganized PEC.[28] First, the Plan contemplates a $750 million rights offering that will be effectuated pursuant to an offering exemption from the registration requirements of the Securities Act under section 1145 of the Bankruptcy Code (the "Rights Offering"). In connection with the Rights Offering, all holders of Allowed Second Lien Notes Claims and Allowed Claims in Class 5B as of the Rights Offering Record Date will receive rights (the "Rights Offering Equity Rights") to purchase the Rights Offering Shares, which consist of (a) shares of Reorganized PEC Common Stock and (b) Penny Warrants (the "Rights Offering Penny Warrants") exercisable for 2.5% of the fully diluted Reorganized PEC Common Stock on the Effective Date (after giving effect to the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred Equity, but subject to dilution by the LTIP Shares and any post-Effective Date issuance of capital stock). The purchase price for the Rights Offering Shares will be 55% of the Plan Equity Value of the shares of Reorganized PEC Common Stock that are issued in connection with the exercise of the Rights Offering Equity Rights.

Pursuant to the Rights Offering Backstop Commitment Agreement, the Noteholder Co-Proponents, together with any additional holders of Allowed Second Lien Notes Claims and Allowed Claims in Class 5B that are "qualified institutional buyers" and institutional "accredited investors" (as such terms are defined in Rules 501 and 114A promulgated under the Securities Act) who become party to the PSA and Rights Offering Backstop Commitment Agreement on or prior to the Backstop Enrollment Outside Date (as defined in the Rights Offering Backstop Commitment Agreement) (collectively, the "Rights Offering Backstop Parties"~~)~~) have agreed to backstop 100% of the Rights Offering on the terms set forth in the Rights Offering Backstop Commitment Agreement. Pursuant to the terms of the Rights Offering Backstop Commitment Agreement, the Rights Offering Backstop Parties will receive (a) an 8.0% commitment premium of the $750 million committed amount (the "Rights Offering Backstop Commitment Premium") and (b) monthly Ticking fee accruing beginning on April 3, 2017 (with proration for partial months) (the "Rights Offering Ticking Premium, and, together with the Rights Offering Commitment Premium, the "Backstop Premiums"). The Backstop Premiums are payable in Reorganized PEC Common Stock on the Effective Date valued by reference to the Plan Equity Value and will be allocated among the Rights Offering Backstop Parties pursuant to the terms of the Rights Offering Backstop Commitment Agreement. The Rights Offering Backstop Commitment Premium shall be fully earned and nonrefundable upon entry by the Bankruptcy Court of the PPA and BCA Approval Order[29] and the Backstop Ticking Premium shall be fully earned and nonrefundable as accrued through the Effective Date. In addition, the Noteholder Co-Proponents shall receive Penny Warrants[30] exercisable for 2.5% of the fully diluted Reorganized PEC Common Stock on the Effective Date (after giving effect to the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred

[28] "Reorganized PEC" means Peabody Energy Corporation, on and after the Effective Date.

[29] "PPA and BCA Approval Order" means the *Order (I) Approving (A) Private Placement Agreement and (B) Backstop Commitment Agreement, (II) Authorizing Debtors to Enter into (A) Plan Support Agreement, (B) Private Placement Agreement and (C) Backstop Commitment Agreement (III) Approving (A) Rights Offering, (B) Related Procedures and (C) Payment of Related Expenses and (IV) Granting Related Relief* [Docket No. ___], entered by the Bankruptcy Court on January [~~26~~27], 2017.

[30] "Penny Warrants" means warrants for Reorganized PEC Common Stock that will be issued on the Effective Date and exercisable from and after the Effective Date for a term of 90 days for 5% of the fully diluted Reorganized PEC Common Stock as of the Effective Date (following the dilution from the Preferred Equity, and subject to dilution by the LTIP Shares, the Incremental Second Lien Shares (if applicable), the Ticking Premium Shares (if applicable), the Disputed Claims Reserve Shares and any post-Effective Date issuance of capital stock), with an exercise price of $0.01 per share of Reorganized PEC Common Stock.

Equity, but subject to dilution by the LTIP Shares and any post-Effective Date issuance of capital stock) as additional consideration for their obligations under the Backstop Agreement and Private Placement Agreement.

After consultation with counsel and the Noteholder Steering Committee, the Debtors may decrease the number of Rights Offering Equity Rights distributed to holders of Second Lien Notes Claims and General Unsecured Claims in Class 5B as reasonably required or instructed by the Bankruptcy Court or the SEC, in each case to allow the Rights Offering to be exempt from registration under the Securities Act pursuant to section 1145 of the Bankruptcy Code. In this event, any amounts excluded shall instead be purchased directly by the Rights Offering Backstop Parties pursuant to the Rights Offering Backstop Commitment Agreement.

Second, the Plan contemplates raising an additional $750 million through the Private Placement. In connection with the Private Placement, the Private Placement Parties[31] will purchase mandatorily convertible Preferred Equity at a 35% discount to Plan Equity Value for an aggregate purchase price of $750 million. The Preferred Equity will have a dividend rate of 8.5% per annum, payable semi-annually in kind as a dividend of additional shares of Preferred Equity and has a liquidation preference, optional and mandatory conversion provisions, anti-dilution protection, voting rights and certain other material terms and conditions as set forth on Exhibit I.A.~~173~~174. to the Plan.

In connection with the Private Placement and pursuant to the terms of the Private Placement Agreement, the Private Placement Parties will receive an (i) 8.0% commitment premium of the $750 million committed amount, payable on the Effective Date in Reorganized PEC Common Stock (the "Private Placement Commitment Premium," and, together with the Rights Offering Backstop Commitment Premium, the "Commitment Premiums") and (ii) a 2.5% monthly ticking fee accruing beginning on April 3, 2017 until the Effective Date (with proration for partial months payable on the Effective Date in Reorganized PEC Common Stock) (the "Private Placement Ticking Premium," and (a) together with the Rights Offering Ticking Premium, the "Ticking Premiums," or (b) together with the Private Placement Commitment Premium, the "Private Placement Premiums"). The Private Placement Commitment Premium is payable in Reorganized PEC Common Stock on the Effective Date valued by reference to the Plan Equity Value and will be allocated among the Private Placement Backstop Parties pursuant to the terms of the Private Placement Agreement. The Private Placement Commitment Premium shall be fully earned and nonrefundable upon entry by the Bankruptcy Court of the PPA and BCA Approval Order and the Private Placement Ticking Premium shall be fully earned and nonrefundable as accrued through the Effective Date.

The foregoing is a high level summary of the terms of the Rights Offering, the Rights Offering Backstop Commitment Agreement, the Private Placement and the Private Placement Agreement. On December 23, 2016 the Debtors filed a motion (the "Rights Offering Motion") seeking, among other things, approval of the Rights Offering Backstop Commitment Agreement, the Private Placement Agreement and procedures for the Rights Offering (the "Rights Offering Procedures"). For additional information regarding the terms of the Rights Offering, the Rights Offering Backstop Commitment Agreement, the Private Placement and the Private Placement Agreement, parties are encouraged to review the Rights Offering Motion and its exhibits in their entirety.

5. Litigation and Potential Litigation Resolved by the Global Settlement

a. **The Standards for Approval of the Global Settlement**

The Global Settlement will be proposed and effectuated through the Plan, pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019. Settlements and compromises like those embodied in the Plan expedite case administration and reduce unnecessary administrative costs; as such, they are favored in

[31] "Private Placement Parties" means, collectively, the Noteholder Co-Proponents and any other Person that becomes party to the Private Placement Agreement, subject to, and in accordance with, the terms thereof.

bankruptcy. See Myers v. Martin (In re Martin), 91 F.3d 389, 393 (3d Cir. 1996) ("Compromises are well favored in bankruptcy."). See also In re Flight Transp. Corp. Sec. Litig., 794 F.2d 318, 322 (8th Cir. 1986).

Bankruptcy Rule 9019 provides that, "[o]n motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement." Fed. R. Bankr. P. 9019. Section 1123(b)(3)(A) of the Bankruptcy Code expressly provides that a chapter 11 plan may provide for "the settlement or adjustment of any claim or interest belonging to the debtor or to the estate." 11 U.S.C. § 1123(b)(3)(A). In order to be approved, it is long-established that the settlement need only be "fair and equitable" such that it does not "fall below the lowest point in the range of reasonableness." Tri-State Financial, LLC v. Lovald, 525 F.3d 649, 654 (8th Cir. 2008).

In evaluating whether the settlement is above the lowest point in the range of reasonableness, courts in the Eighth Circuit evaluate the factors identified in Tri-State and consider: (i) the probability of success in the litigation; (ii) the difficulties associated with collection, if any, to be encountered in the matter of collection; (iii) the complexity of the litigation, and the expense, inconvenience and delay necessarily attending it; and (iv) the paramount interest of the creditors and a proper deference to their reasonable views in the premises. Tri-State Financial, 525 F.3d at 654; In re Apex Oil Co., 92 B.R. 847, 866 (Bankr. E.D. Mo. 1988) (Schermer, J.). Additionally, the Court must determine whether the proposed settlement is in the best interests of the Debtors and their estates. Ritchie Capital Mgmt., L.L.C. v. Kelley, 785 F.3d 273, 278 (8th Cir. 2015).

As discussed in more detail below, the Debtors and the Plan Proponents believe that the requirements of Bankruptcy Rule 9019 are satisfied because the Global Settlement allows the Debtors and their stakeholders to avoid the uncertainty of litigation as well as the significant costs and delay that litigation over many of the complex issues resolved by the Global Settlement would bring not only to the Debtors' estates but to their creditors. For example, resolution of the Valuation Dispute allows the Debtors and their stakeholders to efficiently exit these Chapter 11 Cases with a Plan Equity Value supported by the majority of the Debtors' creditor constituencies. The Global Settlement's resolution of the CNTA Dispute ensures that the Debtors will not be subject to ongoing litigation or a future appeal concerning complex issues that would ~~subject~~require the Debtors and the other parties to the CNTA Dispute (collectively, the "CNTA Parties") to expend unnecessary costs and resources. Finally, the Global Settlement's compromise as to the treatment of Intercompany Claims prevents the Debtors from being subject to the delay, expense and uncertainty that litigation of these complex issues would necessarily entail.

b. **The CNTA Dispute**

Prior to the Debtors' entry into the 2013 Credit Agreement (as defined herein), the majority of the Debtors' funded debt was unsecured. Covenants in the controlling indentures for the funded debt restricted the Debtors' ability to incur debt secured by liens on Principal Property (as defined in the First Lien Credit Agreement) or a lien on the shares of capital stock unless the Debtors provided "equal and ratable" security with respect to their unsecured debt. There was an exception to this prohibition for debt secured by liens on Principal Property if that debt did not exceed 15% of the Debtors' CNTA. The indentures defined Principal Property as the Debtors' real property in the U.S. with a gross book value in excess of 1% of the Debtors' CNTA. The 2013 Credit Agreement was the Debtors' first credit agreement since 2006 that included a collateral pledge. The 2013 Credit Agreement included a limited collateral grant with respect to certain assets that were not Principal Property, *i.e.*, pledges of 65% of the stock of Peabody Holdings (Gibraltar) Limited ("Gib 1") and 100% of the stock of Peabody IC Funding Corp. ("PIC Funding").

In February 2015, in connection with the Omnibus Amendment (as defined herein) to the 2013 Credit Agreement, the Debtors received certain covenant relief, and the Debtors pledged additional collateral. In addition to the assets already pledged in connection with the 2013 Credit Agreement, the Debtors provided security for the benefit of the lenders consisting of certain real and personal property assets located in the U.S. that are not Principal Property (the "Non-Principal Property") and assets that are Principal Property (subject to the cap described in the paragraph above). Specifically, to avoid triggering the Debtors' obligation in the indentures to provide equal and ratable collateral with respect to the unsecured debt, the First Lien Credit Agreement included Section 6.16(g), which ensured that the amount of liens secured by Principal Property did not exceed the Principal Property Cap (as defined in the First Lien Credit Agreement) at such time. The

The investigation, reconciliation and adjudication of the characterization of the Intercompany Claims would have been a fact-intensive and lengthy undertaking. Notably, the number of transactions is quite large due to the Debtors' centralized cash management system and other intercompany arrangements and obtaining and sifting through the necessary documentation would be costly and burdensome for the Debtors' estates and their creditors. In addition to these hurdles, the forensic accounting exercise to analyze the Intercompany Claims alone would be costly, time consuming and complex. The Global Settlement includes a compromise of these complex issues and avoids the delay, expense and uncertainty that would have been attendant to litigation over these issues. Further, the value of most of the intercompany receivables between Debtor entities is part of the Shared Collateral[33] between the First Lien Lenders and the Second Lien Noteholders such that recognition of Intercompany Claims, while it might shift value from one Debtor entity to another, would most likely result in the vast majority of that value continuing to belong to the Debtors' secured lenders.

Therefore, in order to maximize creditor recoveries, pursuant to Section II.B.2.i. of the Plan and at the Debtors' option, on the Effective Date, Intercompany Claims may be Reinstated, settled, offset, cancelled, extinguished or eliminated, including by way of capital contribution. Notwithstanding the foregoing, pursuant to the terms of Section II.B.2.i. of the Plan, the intercompany loans (i) owed by Gib 1 to Peabody IC Holdings, LLC ("PIC Holdings"), (ii) owed by PIC Holdings to PIC Funding and (iii) owed by non-Debtor Peabody Energy Australia Pty Ltd. to Peabody Investments Corp are treated as debt for purposes of calculating Distributions to third party creditors and the principal balance of the Loan Agreement, dated as of April 11, 2012, among Peabody Investment Corp., as lender, and Peabody Energy Australia Pty Ltd, as borrower, will be reinstated on the Effective Date.

6. Settlement with the Creditors' Committee ~~and Unsecured Subordinated Debentures~~

After weeks of negotiation, the Debtors, the Noteholder Steering Committee and the Creditors' Committee have reached a joint settlement. Under the Creditors' Committee Settlement, the Creditors' Committee will become co-proponents of the Plan and will receive approval rights on matters that would materially and adversely affect the amount of equity and cash distributions to holders of General Unsecured Claims that are not Unsecured Senior Notes Claims. The key provisions of the Creditors' Committee Settlement are summarized below.

a. Creditors' Committee Alleged Causes of Action

On September 1, 2016, the Creditors' Committee sent a letter to the agent under the First Lien Credit Agreement, the trustee of the Second Lien Notes and the Debtors describing possible claims and causes of action it had identified after completing its due diligence and investigation as potentially subject to litigation. In its letter, the Creditors' Committee identified alleged (a) fraudulent conveyance claims, (b) lien-related claims (including the Encumbered PEC Cash Dispute), (c) non-perfection claims and (d) certain other claims that it could pursue related to the Collateral. On September 15, 2016, the Creditors' Committee delivered a supplemental letter to the same parties describing additional alleged claims and causes of action (together with the September 1, 2016 letter, the "Creditors' Committee Alleged Causes of Action"). On October 11, 2016, the Creditors' Committee provided the Debtors; Citibank, as First Lien Agent; and the Wilmington Savings Bank, as Second Lien Notes Indenture Trustee, with a draft complaint containing a reasonably detailed description of the Creditors' Committee Alleged Causes of Action for which the Creditors' Committee in good faith intended to seek standing to pursue on behalf of the Debtors' estates. The Global Settlement resolves all of the Creditors'

[33] The Intercreditor Agreement defines "Shared Collateral" as "at any time, Collateral in which the holders of Senior Obligations under at least one Senior Facility and the holders of Second Priority Debt Obligations under at least one Second Priority Debt Facility (or their Representatives) hold a security interest at such time (or, in the case of the Senior Facilities, are deemed pursuant to Article II to hold a security interest). If, at any time, any portion of the Senior Collateral under one or more Senior Facilities does not constitute Second Priority Collateral under one or more Second Priority Debt Facilities, then such portion of such Senior Collateral shall constitute Shared Collateral only with respect to the Second Priority Debt Facilities for which it constitutes Second Priority Collateral and shall not constitute Shared Collateral for any Second Priority Debt Facility which does not have a security interest in such Collateral at such time." Defined terms have the meanings given to them in the Intercreditor Agreement.

Committee Alleged Causes of Action including the dispute over whether cash at PEC on the Petition Date was encumbered or unencumbered (the "Encumbered PEC Cash Dispute").

In full settlement and satisfaction of the Creditors' Committee Alleged Causes of Action, the Creditors' Committee Settlement provided that holders of General Unsecured Claims (1) against PEC will have $5 million of cash available for distribution to Holders of Allowed General Unsecured Claims in Class 5A that are not Convenience Claims in Class 6A and (2) against one of the Encumbered Guarantor Debtors will have an option to elect to receive (a "Class 5B Cash Election") on account of their Allowed Claims (in lieu of Reorganized PEC Common Stock, Rights Offering Equity Rights and, if applicable, Rights Offering Disputed Claims Reserve Shares) a pro rata cash distribution from a pool of $75 million (the "Class 5B Cash Pool"), with recoveries to be capped at 50% of their Allowed Claims. The total amount of cash available for holders of Convenience Claims in Class ~~5~~6A is $2 million and Class 6B is $18 million.

The Class 5B Cash Pool shall be funded through a segregated account for distribution in accordance with the terms of the Plan to holders of Allowed Class 5B Claims in two installments: (1) $37.5 million on the date that is 100 days after the Effective Date and (2) $37.5 million on the date that is 190 days after the Effective Date. The Debtors' obligation to fund the Class 5B Cash Pool shall be deemed an administrative obligation on the Debtors' estates and be reflected as such in any order confirming the proposed Plan. If less than $75 million is required to fund a 50% distribution to holders of Allowed Class 5B Claims who make a Class 5B Cash Election on their applicable Ballot(s), the excess shall be retained by the Reorganized Debtors.

Settlement of the Creditors' Committee Alleged Causes of Action allows the Creditors' Committee, the Debtors and other creditors to avoid the uncertainty of litigation as well as the costs and resources that would necessarily be required to prosecute and defend litigation of these complex issues. As such, settlement of Creditors' Committee Alleged Causes of Action that could be brought by the Creditors' Committee against the Debtors' estates is to the benefit of the Debtors' estates and all their creditors and stakeholders.

b. **Release of Preference Claims**

Related to the resolution of the Creditors' Committee Alleged Causes of Action, the Plan also provides that the Debtors would release all Claims under section 547 of the Bankruptcy Code that they may have against any holder of a General Unsecured Claim or Convenience Claim. The release of these potential causes of action avoids the delay, expense and uncertainty that will be attendant to any litigation over any of these claims. It also provides comfort to, among others, various of the Debtors' trade creditors that they will not be subject to litigation beyond the Effective Date. Accordingly, release of preference claims falls well within the range of reasonableness and would be in the best interests of the Debtors and the Debtors' economic stakeholders.

7. The Debentures Settlement

On January 24, 2017, the Noteholder Co-Proponents and the Creditors' Committee agreed to a settlement (the "Debentures Settlement") whereby the Initial Backstop Parties agreed to provide the Unsecured Subordinated Debentures with Allowed Claims in Class 8A Penny Warrants (the "Unsecured Subordinated Debenture Penny Warrants") exercisable for 1.0% of the fully diluted Reorganized PEC Common Stock (after giving effect to the reservation and deemed issuance of shares of Reorganized PEC Common Stock upon the conversion of the Preferred Equity, but subject to dilution by the LTIP Shares and any post-Effective Date issuances of capital stock, including pursuant to any dividend or make-whole provision described in Exhibit I.A.~~173~~174. of the Plan) that otherwise would have been issued to the Initial Backstop Parties' exercisable right of 2.5% of the fully diluted Reorganized PEC Common Stock on the Effective Date that was given as additional consideration for the Initial Backstop Parties' obligations under the Backstop Agreement and Private Placement Agreement. The Unsecured Subordinated Debenture Penny Warrants will not dilute recovery to any other Class under the Plan. Further, the Unsecured Subordinated Debentures will only be entitled to receive the Unsecured Subordinated Debenture Penny Warrants if at least two-thirds in amount and fifty percent in number of Class 8A votes to accept the proposed treatment under the Plan. For the avoidance of doubt, the Unsecured Subordinated Debentures will receive no recovery under the Plan if Class 8A votes to reject the Plan.

8. The MEPP Claim and Settlement

On July 16, 2015, the United Mine Workers of America 1974 Pension Plan and Trust (the "1974 Pension Plan") filed a complaint in the United States District Court for the District of Columbia (the "D.C. District Court") seeking a declaratory judgment (the "Declaratory Judgment Action") that PEC, Peabody Holdings Company, LLC ("Peabody Holdings") and Arch Coal, Inc. must arbitrate the issue of pension withdrawal liability in accordance with Section 4221 of ERISA and the Multiemployer Pension Plan Amendments Act of 1980. The purported basis for the Declaratory Judgment Action was the 1974 Pension Plan's determination that PEC and Peabody Holdings' corporate transaction to spin off certain assets to create Patriot Coal Corporation in 2007 (the "Patriot Spinoff") was done to evade or avoid withdrawal liability for the multi-employer pension plan in violation of ERISA § 4212(c). On January 11, 2016, prior to the Petition Date, PEC and Peabody Holdings and the 1974 Pension Plan filed a stipulation with the D.C. District Court to dismiss the Declaratory Judgment Action. In this stipulation, the parties agreed to (a) dismiss the Declaratory Judgment Action and (b) arbitrate the demand pursuant to Section 4221 of ERISA (the "Stipulation").

On August 15, 2016, the 1974 Pension Plan filed Claim number 4722 asserting a general unsecured claim against all Debtors in the total amount of approximately $642.7 million (the "MEPP Claim"). Also on August 15, 2016, the 1974 Pension Plan and the Debtors filed a Consent Motion to Modify Stay to modify the automatic stay to allow for written discovery and the taking of three depositions. (Docket No. 1085). This Court entered the Order on Consent Motion to Modify Stay on August 16, 2016 (Docket No. 1092), which authorized the 1974 Pension Plan and Debtors to engage in discovery and depositions. On September 8, 2016, the Debtors filed an objection to the MEPP Claim asking the Bankruptcy Court to disallow the claim in its entirety.

On September 26, 2016, the 1974 Pension Plan filed a motion to lift the automatic stay so as to allow the MEPP Claim to be adjudicated through arbitration, not the claims administration process outlined by the Bankruptcy Code, as articulated in the Stipulation (the "1974 Pension Plan Lift-Stay Motion"). On October 11, 2016, the Debtors objected to the 1974 Pension Plan's Lift-Stay Motion on the grounds that it had not established sufficient cause to lift the automatic stay. The *Ad Hoc* Group of Unsecured Senior Noteholders and First Lien Agent filed joinders to the Debtors' objection. A hearing on the 1974 Pension Plan Lift-Stay Motion was held on October 18, 2016, and the Bankruptcy Court granted relief to allow the 1974 Pension Plan to resume the arbitration commenced prepetition solely for the purpose of adjudicating and liquidating the MEPP Claim through arbitration by January 26, 2017.

The arbitration of the MEPP Claim took place on December 19, 2016 through December 21, 2016. Depositions have been completed, and each party submitted its pre-hearing brief on December 9. 2016. All direct witness testimony was submitted via declaration prior to the start of arbitration. Expert declarations were due December 1, 2016. All remaining witness declarations and exhibit lists were due on December 15, 2016. Exhibits for cross examination were due on December 17, 2016. Post-hearing briefs were due December 23, 2016.

On January 25, 2017, the 1974 Pension Plan and the Debtors agreed to a settlement (the "MEPP Settlement") of the MEPP Claim whereby the 1974 Pension Plan will be entitled to a claim in Class 7 of $75 million to be paid in Cash over ~~a period of four~~five years as follows: $5 million upon emergence, $10 million paid 90 days after emergence, $15 million paid one year after the last payment and $15 million a year for the following 3 years. In addition, the 1974 Pension Plan will release all members of the PEC control group from any cause of action regarding withdrawal liability. The non-disparagement clause between the 1974 Pension Plan and the Debtors will remain. All members of the Debtors' control group are obligated under the MEPP Settlement. In consideration for the Settlement, the 1974 Plan has agreed to support the Plan.

B. Debtor Groups

Due to the Debtors' complex corporate and capital structure and the different assets and liabilities at various Debtors, the Debtor entities have been classified into five different groups (the "Debtor Groups") in the Plan depending on their principal assets and liabilities. Regardless of the classification, creditors with claims

against more than one Debtor Group will receive a distribution from each respective Debtor Group against which they have an Allowed Claim up to the face amount of their total Allowed Claims. Creditors with separate and distinct Allowed Claims against PEC or several Encumbered Guarantor Debtors will be entitled to treatment as Convenience Claims so long as each separate and distinct claim is equal to or less than $200,000. Any Claims over $200,000 against PEC or an Encumbered Guarantor Debtor will be aggregated to determine ~~a creditors~~the creditor's total Allowed Claim upon which ~~they are~~the creditor is entitled to receive a recovery from each Debtor Group. Creditors will not receive a recovery on account of Secondary Liability Claims against multiple Debtors within the same Debtor Group. The Debtors in each Debtor Group are identified on Exhibit D.

1. Group A – Peabody Energy Corporation (PEC)

PEC, the parent entity, has been placed in its own Debtor Group. Its only substantial assets consist of (a) cash subject to disputed liens and security interests of the First Lien Lenders and Second Lien Noteholders and (b) its equity interests in the subsidiary Debtors, which have no value until structurally senior claims against the subsidiaries are paid in full. Not only was PEC the issuer of all of the Debtors' funded debt, it also is subject to (a) approximately $743.9 million in claims in connection with certain subordinated indentures and (b) liabilities on account of various guaranties that are distinct from the liabilities of any other Debtor. As a result of its limited assets and large liabilities, recoveries for holders of General Unsecured Claims are substantially smaller than at certain other Debtor Groups.

2. Group B – Encumbered Guarantor Debtors

The Encumbered Guarantor Debtors include all Debtor entities (other than PEC and the Gold Fields Debtors) that serve as guarantors under the First Lien Credit Agreement, the Second Lien Notes and the Unsecured Senior Notes. The Encumbered Guarantor Debtors constitute the largest Debtor Group, consisting of 111 Debtor entities, as identified on Exhibit D. The Creditors' Committee and Plan Proponents agreed that grouping these Debtor entities together for purposes of calculating creditor distributions and voting on the Plan is the most efficient and sensible solution to maximize the value of the Debtors' estates for distribution to creditors.

3. Group C – Gold Fields Debtors

The Gold Fields Debtors consist of ~~four~~five legacy Debtor entities that have no current operations. The Gold Fields Debtors had been conducting environmental clean-up and performing remediation obligations related to non-coal mining activities. The Gold Fields Debtors were previously managed and owned by Hanson PLC. In a February 1997 spin-off, Hanson PLC transferred ownership of Gold Fields Mining, LLC ("Gold Fields") to PEC despite the fact that the Gold Fields Debtors had no ongoing operations and PEC had no prior involvement in the past operations of Gold Fields. As part of separate transactions, PEC and ~~each~~four of the Gold Fields Debtors, excluding PG Investments Six, L.L.C., also agreed to indemnify Blue Tee Corporation ("Blue Tee") with respect to certain claims relating to the historical operations of a predecessor of Blue Tee, which is a former affiliate of Gold Fields and Hanson PLC.

The Debtors believe that the Gold Fields Debtors have limited assets, minimal insurance recoveries and significant environmental and other liabilities. With respect to assets, the Gold Fields Debtors have, among other things, two pieces of real property assets comprising a few acres of land, the Historic Gold Fields Policies, under $1.0 million in cash, an interest in the litigation captioned as *Blue Tee Corp. v. Xtra Intermodal, Inc.* Case No. 13-00830 pending in the United States District Court for the Southern District of Illinois and contribution claims regarding environmental liabilities against other potentially responsible parties. Regarding insurance, Blue Tee asserts that it is entitled to assert claims against the Historic Gold Fields Policies notwithstanding an agreement under which Blue Tee assigned all of its rights under Historic Gold Fields Policies to one or more of the Gold Fields Debtors. The Gold Fields Debtors dispute Blue Tee's assertion that Blue Tee is entitled to assert claims under the Historic Gold Fields Policies. If Blue Tee's position were upheld, the Gold Fields' Debtors' ability to access the Historic Gold Fields Policies could be severely limited or eliminated. In addition, the insurers who issued the Historic Gold Fields Policies have reserved the right to assert a variety of coverage defenses that, if accepted, could severely limit or eliminate coverage. Those defenses include, without limitation: whether the underlying environmental and other claims are for "damages," "property damages,"

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
1A –1D Impaired	PEC Encumbered Guarantor Debtors Gold Fields Debtors Gib 1	First Lien Lender Claims	On or as soon as practicable after the Effective Date, each holder of an Allowed First Lien Lender Claim in Classes 1A, 1B, 1C and 1D will receive its aggregate Pro Rata share of (1) Cash equal to the full amount of the Allowed First Lien Lender Claims, including interest at the default rate; or (2) solely to the extent that the Debtors have not received commitments for the Exit Facility prior to the Effective Date in the aggregate principal amount of at least $1.5 billion, and subject to the conditions set forth on Exhibit I.A.~~195~~196. of the Plan and in Section IV.D. of the Plan, each holder's Pro Rata share of (a) the Replacement Secured First Lien Term Loan on the terms and conditions set forth on Exhibit I.A.~~195~~196. to the Plan and in Section IV.D. of the Plan in an aggregate principal amount of up to $1.5 billion, such principal amount to be calculated as set forth on Exhibit I.A.~~195~~196. to the Plan, plus (b) Cash in an amount equal to the difference between (i) the Allowed First Lien Lender Claims, including interest at the default rate, and (ii) the aggregate principal amount of the Replacement Secured First Lien Term Loan received pursuant to subsection (1) of Section II.B.2.a.iii.B. of the Plan.	$2.980 billion[40]	100% Entitled to Vote

[38] The estimated Allowed amounts set forth herein are estimates only and actual Allowed amounts may be greater or less than such amounts.

[39] The estimated recovery percentages set forth herein are estimates only and actual recovery percentages may be higher or lower based on, among other things, Allowed Claims arising from the rejection of Executory Contracts or Unexpired Leases and the resolution of disputed or unliquidated Claims.

[40] The First Lien Lender Claims shall be Allowed in an amount to be agreed between the Debtors and the Requisite First Lien Lender Co-Proponents or determined by the Bankruptcy Court at the Confirmation Hearing, which amount shall include accrued and unpaid interest at the default rate, except for claims under Swap Contracts (as defined in the First Lien Credit Agreement), which shall be Allowed at the asserted termination amounts thereunder and for which interest shall be allowed at the contractual rate thereunder.

~~As agreed upon in the Plan Term Sheet: "~~The total estimated amount of Allowed First Lien Lender Claims is currently $2.980 billion, comprised of approximately (a) $1,162,343,00 principal amount of term loans net of unamortized original issue discount, (b) $947,000,000 principal amount of revolver loans, (c) $612,753,000 of letters of credit reimbursement obligations (assuming $6,118,000 of future letter of credit draws and the rollover of the PBGC letter of credit undrawn into the ABL Facility (as defined in Exhibit 1 [to the Term Sheet])) and (d) $257,300,000 in Swap Contract termination, plus accrued and unpaid interest at the default rate for Allowed First Lien Lender Claims except for claims under Swap Contracts (as defined in the First Lien Credit Agreement) at the contractual rate for claims under the Swap Contracts, plus accrued and unpaid adequate protection payments, plus professional fees and expenses payable under the First Lien Credit Agreement. The foregoing estimate assumes: (i) an April 3, 2017 Effective Date and (ii) the PBGC letter of credit rolls onto an ABL Facility (as defined in Exhibit 1 [to the Term Sheet]). All parties have reserved their rights as to the applicable interest rate for Allowed First Lien Lender Claims other than claims under Swap Contracts. To the extent the Effective Date occurs after April 3, 2017, any increase in the size of the First Lien Lender Claims shall be satisfied with cash. The amount of the First Lien Lender Claims will also fluctuate based on letter of credit draws or returns through the Effective Date.~~"~~

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
2A –2D Impaired	PEC Encumbered Guarantor Debtors Gold Fields Debtors Gib 1	Second Lien Notes Claims	On or as soon as practicable after the Effective Date, each holder of an Allowed Second Lien Notes Claim in Classes 2A, 2B, 2C and 2D shall receive: (1) at the option of the Debtors in their sole discretion, provided, in the case of (a) or (b) of Section II.B.2.b.iii.A. of the Plan, the First Lien Full Cash Recovery occurs, its aggregate Pro Rata share of $450 million (calculated as the amount of any such Cash and the principal amount of any Additional First Lien Debt and New Second Lien Notes, excluding any consideration on account of Incremental New Second Lien Notes Claims) in any combination of: (a) Cash, (b) principal amount of Additional First Lien Debt and/or (c) principal amount of New Second Lien Notes; provided, however, that in no event shall the aggregate principal amount of New Second Lien Notes (plus, if applicable, the principal amount of any Incremental New Second Lien Notes) issued on the Effective Date be less than $250 million; provided, further, that in no event shall the combined consideration issued under Section II.B.2.b.iii.A. of the Plan (calculated as the amount of any such Cash and the principal amount of any such Additional First Lien Debt and New Second Lien Notes, excluding any consideration on account of Incremental Second Lien Notes Claims) exceed $450 million in the aggregate; (2) its Pro Rata share of the Pro Rata Split as of the Effective Date of Reorganized PEC Common Stock (which shall be (x) subject to the dilution from the LTIP Shares, the Preferred Equity and the Penny Warrants and (y) issued after giving effect to the issuance of the Rights Offering Shares, the issuance of any Incremental Second Lien Shares, the issuance of any Premium Shares, the issuance of any Rights Offering Disputed Claims Reserve Shares and the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred Equity), and (3) its Pro Rata share of the Pro Rata Split as of the Rights Offering Record Date of the Rights Offering Equity Rights.[41]	$1.158 billion[42]	~~TBD~~52.4% Entitled to Vote

[41] If the total amount of Allowed Second Lien Notes Claims increases because the Effective Date extends beyond April 3, 2017 (the total amount of Allowed Second Lien Notes Claims as of April 3, 2017, the "Incremental Second Lien Notes Claims"), then additional consideration shall be provided to the holders of Second Lien Notes Claims (A) by increasing the consideration pursuant to clause (i) of this paragraph on a pro rata basis in an amount equal to 50% of the amount of the Incremental Second Lien Notes Claims (and any Additional First Lien Debt so distributed pursuant to this footnote shall be referred to herein as the "Incremental Additional First Lien Debt", and any additional New Second Lien Notes so distributed pursuant to this footnote shall be referred to herein as the "Incremental New Second Lien Notes"), subject to a $20 million cap for such increase above $450 million pursuant to this clause (A), and (B) in the form of additional Reorganized PEC Common Stock with a total par value equal to the remaining amount of Incremental Second Lien Notes Claims not settled pursuant to clause (A) above; provided, however, that if no Additional First Lien Debt or New Second Lien Notes are being issued pursuant to clause (i)(b) or (i)(c) (prior to giving effect to the additional consideration described in this footnote), then the additional consideration pursuant to clause (A) above shall be paid in cash; and provided further that such incremental amounts may only be paid in cash or Incremental Additional First Lien Debt if the First Lien Full Cash Recovery occurs.

[42] The Allowed Second Lien Notes Claims are subject to increase if the Effective Date occurs after April 3, 2017.

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
			or attempt to collect such penalty from the Debtors, the Reorganized Debtors or their respective property (other than as a holder of a Claim in Classes 5A, 5B, 5C, 5D and 5E, as applicable).		
4A – 4E Unimpaired	PEC Encumbered Guarantor Debtors Gold Fields Debtors Gib 1 Unencumbered Debtors	Other Priority Claims	On or as soon as practicable after the Effective Date, each holder of an Allowed Other Priority Claim will receive Cash equal to the amount of such Allowed Claim, unless the holder of such Other Priority Claim and the applicable Debtor or Reorganized Debtor, as applicable, agree to a different treatment.	$0 to $25 million	100% Deemed to Accept
5A Impaired	PEC	General Unsecured Claims	On or as soon as practicable after the Effective Date, unless otherwise agreed by a Claim holder and PEC or Reorganized PEC~~:~~, each holder of an Allowed General Unsecured Claim against PEC will receive its Pro Rata share of $5 million plus any Additional PEC Cash.[43]	$3.944 billion to $4.219 billion	~~TBD~~0.1% Entitled to Vote

[43] "Additional PEC Cash" means, to the extent payments to Allowed Convenience Claims in Class 6A are less than $2 million, the difference between $2 million and total payments to Allowed Convenience Claims in Class 6A.

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
5B Impaired	Encumbered Guarantor Debtors	General Unsecured Claims	On or as soon as practicable after the Effective Date, unless otherwise agreed by a Claim holder and the applicable Debtor or Reorganized Debtor, each holder of an Allowed General Unsecured Claim against one of the Encumbered Guarantor Debtors will receive such holder's Pro Rata share of: (1) the Pro Rata Split as of the Effective Date of the Reorganized PEC Common Stock (which shall be (x) subject to the dilution from the LTIP Shares, the Preferred Equity and the Penny Warrants and (y) issued after giving effect to the issuance of the Rights Offering Shares, the issuance of any Incremental Second Lien Shares, the issuance of any Premium Shares, the issuance of any Rights Offering Disputed Claims Reserve Shares and the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred Equity and exercise of Penny Warrants); and (2) the Pro Rata Split as of the Rights Offering Record Date of the Rights Offering Equity Rights; provided, however, that any holder of a General Unsecured Claim against one of the Encumbered Guarantor Debtors that is not Allowed as of the Rights Offering Record Date shall not participate in the Rights Offering, and instead, if and when such holder's Claim becomes Allowed, shall receive an amount of Rights Offering Disputed Claims Reserve Shares with a value equal to such holder's pro rata share of the Rights Offering Equity Rights Value; provided, however, that, in lieu of the above treatment, each holder of a General Unsecured Claim in Class 5B that receives a Ballot shall have the right to elect to receive such holder's Pro Rata share with other electing holders of the Class 5B Cash Pool; provided, further, that any holder of a General Unsecured Claim against one of the Encumbered Guarantor Debtors that does not receive a Ballot but whose Claim becomes Allowed shall have the rights to elect into the Class 5 Cash Pool upon allowance of such Claim; provided, further, however, that no holder of an Allowed General Unsecured Claim in Class 5B that elects to receive Distributions from the Class 5B Pool shall be entitled to receive more than a 50% recovery on account of their Allowed Claim in Class 5B	$3.960 billion to $4.160 billion	~~TBD~~22.1%[44] Entitled to Vote

[44] Holders of General Unsecured Claims in Class 5B that make the cash election shall be entitled to receive up to a 50% recovery on account of their Allowed Claims in Class 5B; however, the recovery amount may be materially lower if a greater number of Holders of General Unsecured Claims in Class 5B make the cash election.

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
5C Impaired	Gold Fields Debtors	General Unsecured Claims	On or as soon as practicable after the Effective Date, unless otherwise agreed by a Claim holder and the applicable Debtor or Reorganized Debtor, each holder of an Allowed General Unsecured Claim against one of the Gold Fields Debtors will receive such holder's Pro Rata share of the Gold Fields Liquidating Trust Units.[45]	$3.929 billion to $5.289 billion	Less than 1% Entitled to Vote
5D Impaired	Gib 1	General Unsecured Claims	Each holder of an Allowed General Unsecured Claim against Gib 1 will receive no recovery.	$0.00	~~0~~0.0% Deemed to Reject
5E Impaired	Unencumbered Debtors	General Unsecured Claims	On or as soon as practicable after the Effective Date, unless otherwise agreed by a Claim holder and the applicable Debtor or Reorganized Debtor, each holder of an Allowed General Unsecured Claim against one of the Unencumbered Debtors will receive Cash in the amount of such holder's Allowed Claim, less any amounts attributable to late fees, postpetition interest or penalties.	$10 million to $30 million	99% Entitled to Vote
6A Impaired	PEC	Convenience Claims	On or as soon as practicable after the Effective Date, unless otherwise agreed by a Convenience Claim holder and PEC or Reorganized PEC, each holder of an Allowed Convenience Claim against PEC shall receive Cash in an amount up to 72.5% of its Allowed Convenience Claim; provided, however, that (1) total payments on account of Allowed Convenience Claims against PEC shall not exceed $2 million; (2) to the extent such payments would exceed $2 million, holders of Allowed Convenience Claims in Class 6A shall receive their Pro Rata share of $2 million; and (3) to the extent such payments are less than $2 million, the Additional PEC Cash shall become available for Distribution to holders of Allowed Claims in Class 5A.	$2.7 million to $4.0 million	~~50-75~~72.5%[46] Entitled to Vote

[45] "Gold Fields Liquidating Trust Units" means units of beneficial interest issued by the Gold Fields Liquidating Trust, which provide the holders thereof with the rights as set forth in the Gold Fields Liquidating Trust Agreement.

[46] This estimated recovery could be lower depending on the ultimate number of claims that are Allowed in an amount less than $200,000 as the total cash available for distributions to this class is capped at $2 million.

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
6B Impaired	Encumbered Guarantor Debtors	Convenience Claims	On or as soon as practicable after the Effective Date, unless otherwise agreed by a Convenience Claim holder and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Convenience Claim against an Encumbered Guarantor Debtor shall receive Cash in an amount up to 72.5% of its Allowed Convenience Claim; provided, however, that (1) total payments on account of Allowed Convenience Claims against the Encumbered Guarantor Debtors shall not exceed $18 million and (2) to the extent such payments would exceed $18 million, holders of Allowed Convenience Claims against the Encumbered Guarantor Debtors shall receive their Pro Rata share of $18 million.	$24 million to $36 million	~~50-75~~72.5%[47] Entitled to Vote
7A – 7E Impaired	PEC Encumbered Guarantor Debtors Gold Fields Debtors Gib 1 Unencumbered Debtors	MEPP Claim	Subject to and in accordance with the terms of the MEPP Settlement, on or as soon as practicable after the Effective Date, unless otherwise agreed by the holder of the MEPP Claim and the applicable Debtor or Reorganized Debtor, the holder of the MEPP Claim shall receive $75 million in Cash paid over ~~four~~five years as follows: (A) $5 million paid on the Effective Date; (B) $10 million paid 90 days after the Effective Date; (C) $15 million paid one year after the previous payment; (D) $15 million paid one year after the previous payment; (E) $15 million paid one year afater the previous payment; and (F) $15 million paid one year after the previous payment.	$75 million	85% - 90%[48] Impaired

[47] This estimated recovery could be lower depending on the ultimate number of claims that are Allowed in an amount less than $200,000 as the total cash available for distributions to this class is capped at $18 million.

[48] Calculated based on the net present value of payments over the contemplated five year payment period.

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
8A Impaired	PEC	Unsecured Subordinated Debentures Claims	The following transfers shall be made: (1) The Debtors shall transfer to the 2066 Subordinated Indenture Trustee an amount of Cash equal to the reasonable and documented fees and expenses of the 2066 Subordinated Indenture Trustee under the 2066 Subordinated Indenture outstanding as of the Effective Date (as to which it is anticipated that the 2066 Subordinated Indenture Trustee will exercise its contractual lien rights); provided, however, that such Cash transferred to the 2066 Subordinated Indenture Trustee shall not exceed $350,000; and (2) solely in the event Class 8A votes in favor of the Plan and in connection with the settlement of certain potential intercreditor disputes as part of the global settlement embodied herein, and only if the 2066 Subordinated Indenture Trustee does not object to, and affirmatively supports, the Plan, holders of Allowed Unsecured Subordinated Debenture Claims shall receive from the Noteholder Co-Proponents their Pro Rata share of the Unsecured Subordinated Debenture Penny Warrants from the pool of Penny Warrants issued to the Noteholder Co-Proponents under the terms of the Private Placement Agreement; provided, however, that for the avoidance of doubt, the Debtors shall not make any Distributions to holders of Allowed Unsecured Subordinated Debenture Claims.	$743.9 million	~~TBD~~0.00%* *In accordance with the global settlement embodied in the Plan, if Class 8A votes in favor of the Plan and certain other conditions are satisfied, holders of Unsecured Subordinated Debenture Claims will receive the Unsecured Subordinated Debenture Penny Warrants from the Noteholder Co-Proponents, which would provide for an anticipated recovery of approximately 4.2%. Entitled to Vote
9A – 9E Unimpaired	PEC Encumbered Guarantor Debtors Gold Fields Debtors Gib 1 Unencumbered Debtors	Intercompany Claims	In accordance with the Global Settlement and compromise embodied in the Plan, all prepetition and postpetition Intercompany Claims shall be ignored for purposes of calculating distributions to holders of Claims pursuant to the Plan. At the Debtors' option, and subject to the Restructuring Transactions, on the Effective Date, Intercompany Claims may be Reinstated, settled, offset, cancelled, extinguished or eliminated, including by way of capital contribution. Notwithstanding the foregoing, the intercompany loans (a) owed by Gib 1 to Peabody IC Holdings, LLC, (b) owed by Peabody IC Holdings, LLC to Peabody IC Funding Corp. and (c) owed by non-Debtor Peabody Energy Australia Pty Ltd. to Peabody Investments Corp. will be treated as debt for purposes of calculating distributions to holders of Claims pursuant to the Plan.	N/A	100% Deemed to Accept

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
10A Impaired	PEC	Section 510(b) Claims	Claims against PEC that are subordinated by operation of section 510(b) of the Bankruptcy Code, if any, shall be extinguished, cancelled and discharged as of the Effective Date, and holders thereof shall receive no distributions from the Debtors in respect of their Claims.	N/A	0% Deemed to Reject
11A Impaired	PEC	PEC Interests	PEC Interests shall be extinguished, cancelled and discharged as of the Effective Date, and holders of PEC Interests shall neither receive nor retain any property or distribution in respect of such Interests.	N/A	0% Deemed to Reject
12B – 12E Unimpaired	Encumbered Guarantor Debtors Gold Fields Debtors Gib 1 Unencumbered Debtors	Subsidiary Equity Interests	On the Effective Date, Subsidiary Debtor Interests will be Reinstated, subject to any Restructuring Transactions.[4649]	N/A	100% Deemed to Accept

THE DEBTORS AND THE CREDITOR CO-PROPONENTS BELIEVE THAT THE IMPLEMENTATION OF THE PLAN IS IN THE BEST INTERESTS OF EACH OF THE DEBTORS AND THEIR STAKEHOLDERS. FOR ALL OF THE REASONS DESCRIBED IN THIS DISCLOSURE STATEMENT, THE DEBTORS URGE YOU TO RETURN YOUR BALLOT ACCEPTING THE PLAN BY THE VOTING DEADLINE (*I.E.*, THE DATE BY WHICH YOUR BALLOT MUST BE *ACTUALLY RECEIVED*), WHICH IS MARCH 3, 2017 AT 5:00 P.M. PREVAILING CENTRAL TIME.

D. Parties Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all parties in interest are entitled to vote on a chapter 11 plan. Creditors or equity interest holders whose claims or interests are not impaired by a plan are deemed to accept the plan under section 1126(f) of the Bankruptcy Code and are not entitled to vote. In addition, creditors or equity interest holders whose claims or interests are impaired by the plan and will receive no distribution under the plan are also not entitled to vote because they are deemed to have rejected the plan under section 1126(g) of the Bankruptcy Code. For a discussion of these matters, see Section VII.B. below. Table 2 above sets forth which classes of Claims and Interests (collectively, the "Classes") are entitled to vote on the Plan and which are not.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims actually voted to accept or reject the plan. Your vote on the Plan is important. The Bankruptcy Code requires as a

[4649] "Restructuring Transactions" means, collectively, those mergers, consolidations, restructurings, reorganizations, transfers, dispositions, conversions, liquidations or dissolutions that the Debtors or Reorganized Debtors determine to be necessary or appropriate to effect a corporate restructuring of their respective businesses or otherwise to simplify the overall corporate structure of the Reorganized Debtors, as described in greater detail in Section IV.E. of the Plan.

LLC, 1290 Avenue of the Americas, 9th Floor, New York, NY 10104, for brokers, banks, dealers or other agents or nominees serving as an agent for beneficial owners of a security (each, a "Master Ballot Agent"). Beneficial owners of securities should return their Ballot(s) to that Master Ballot Agent (or as otherwise instructed by your Master Ballot Agent). Ballots should not be sent directly to the Debtors, the Creditors' Committee or their agents (other than the Claims and Balloting Agent).

After carefully reviewing: (1) the Plan; (2) this Disclosure Statement; (3) the Disclosure Statement Order, which, among other things, (a) establishes the voting procedures, (b) schedules the Confirmation Hearing and (c) sets the Voting Deadline and the deadline for objecting to Confirmation of the Plan; and (4) the detailed instructions accompanying your Ballot, please indicate on your Ballot your vote to accept or reject the Plan. For your vote to be counted, you must complete and sign your original Ballot (neither copies nor unsigned originals will be accepted, except with respect to Master Ballots (as defined below), which do not require you to return an original signature) and return it to the appropriate recipient (*i.e.*, either a Master Ballot Agent or the Claims and Balloting Agent) so that it is actually received by the Voting Deadline by the Claims and Balloting Agent.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, when voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

If you (1) hold Claims in more than one voting Class or (2) hold multiple Claims within one Class, including, for example, if you (a) hold more than one series of Notes,[47~~50~~] (b) are the beneficial owner of Notes held in street name through more than one Master Ballot Agent or (c) are the beneficial owner of Notes registered in your own name as well as the beneficial owner of Notes registered in street name, you may receive more than one Ballot.

If you are the beneficial owner of Notes held in street name through more than one Master Ballot Agent, for your votes with respect to such Notes to be counted, your Ballots must be mailed to the appropriate Master Ballot Agents at the addresses on the envelopes enclosed with your Ballots so that each such Master Ballot Agent has sufficient time to record your votes on a Master Ballot and return such Master Ballot so it is actually received by the Claims and Balloting Agent by the Voting Deadline.

[47~~50~~] "Notes" means, collectively, (a) the Second Lien Notes; (b) the 2018 Senior Notes; (c) the 2020 Senior Notes; and (d) the 2021 Senior Notes; (e) the 2026 Senior Notes.~~.~~

of Claims entitled to vote are also encouraged to review the relevant provisions of the Bankruptcy Code and the Bankruptcy Rules and/or consult their own attorney.

G. Confirmation Exhibits

The Debtors have or will File[48~~51~~] the Confirmation Exhibits with the Bankruptcy Court. All Confirmation Exhibits will be made available on the Document Website, www.kccllc.net/peabody, once they are Filed. The Debtors reserve the right, in accordance with the terms hereof, to modify, amend, supplement, restate or withdraw any of the Confirmation Exhibits after they are Filed (subject to Creditor Approval Rights) and shall promptly make such changes available on the Document Website.

H. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtors have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for March 16, 2017 at 10:00 a.m., prevailing Central time, before the Honorable Judge Barry S. Schermer, United States Bankruptcy Judge for the Eastern District of Missouri, in the United States Bankruptcy Court for the Eastern District of Missouri, located at Thomas F. Eagleton Federal Building, 5th Floor, North Courtroom, 11 S. 10th Street, St. Louis, Missouri 63102. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice.

Any objection to Confirmation must (1) be in writing, (2) state the name and address of the objecting party and the nature of the Claim or Interest of such party and (3) state with particularity the basis and nature of such objection. Any such objections must be Filed and served upon the persons designated in the Confirmation Hearing Notice in the manner and by the deadline described therein, as addressed in Section VIII.B. herein.

II.

THE DEBTORS' BUSINESS AND CORPORATE STRUCTURE

A. Background Regarding the Debtors' Businesses

The Company currently comprises the world's largest private-sector coal company by volume. Its history in the coal business dates back to 1883. PEC was incorporated in Delaware in 1998 and became a publicly traded company in 2001 with the ticker symbol BTU. The other 152 Debtors are all direct or indirect subsidiaries of PEC and are incorporated or otherwise formed in Delaware, Missouri, Illinois, Indiana and Gibraltar.

The Debtors maintain their corporate headquarters in St. Louis, Missouri. The Company conducts mining operations in Arizona, Colorado, Illinois, Indiana, New Mexico, and Wyoming in the U.S. and New South Wales and Queensland in Australia, as more fully described below. The Debtors' current organizational structure is the result of past acquisitions and other corporate transactions, and generally has separate legal entities for mining operations, coal reserves and land, equipment and employees.

The Company acquired a new leadership team in recent years. In mid-2015, the Debtors: (1) appointed a new Chief Executive Officer, who has been with the Company since September 2013; (2) promoted their Senior Vice President of Finance and Administration of Australia to Chief Financial Officer in July 2015; and

[48~~51~~] "File," "Filed," or "Filing" means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

(3) recruited a new Chief Legal Officer, who started in August 2015. Further, the Board of Directors also elected a new, non-executive Chairman, effective January 1, 2016.[4952]

The industry reached historical highs in the 2011 to 2012 timeframe. Reflecting those highs, in 2011, the Company had a peak market capitalization of approximately $20 billion and a market capitalization to debt ratio of 8.0 to 1.0 prior to the Macarthur Acquisition (as defined below). The Company's Adjusted EBITDA (as defined in the Debtors' SEC Filings) in 2011 was over $2 billion. At that time, the Company decided to strategically expand its presence in Australia to serve seaborne coal demand and access the higher growth Asia-Pacific region. Given the general financial strength of the industry, and of the Company in particular, the Company financed a number of investments with debt, including, among others, the 2011 acquisition of Macarthur Coal Limited, an independent coal company in Australia (the "Macarthur Acquisition"). The Macarthur Acquisition included a 73.3% undivided interest in the assets and liabilities of the Coppabella and Moorvale operating mines and the Codrilla Mine Project. It also included a 50% interest in the Middlemount Mine and a prospective portfolio of coal mining assets at various stages of development and exploration.

In 2012, the Company secured significant coal reserves to augment its production capability in the PRB by submitting bids for the North and South Porcupine reserve areas to the U.S. Bureau of Land Management ("BLM"), which awarded the leases following a sealed bid auction process. Specifically, in two bids won in May and June 2012, the Company leased approximately 1.1 billion tons of reserves from the U.S. federal government. The reserves are adjacent to the Company's North Antelope Rochelle Mine and have been leased for a weighted average price of approximately $1.10 per mineable ton, or a total of $1.2 billion paid over a five year payment period ending in 2016. Additionally, the Debtors pay the federal government an annual rent of $3.00 per acre and annual production royalties of 12.5% of the gross proceeds of coal mined and sold for surface-mined coal and 8% of gross proceeds for underground-mined coal. For more detail on the lease payments see Section III.C.3. below.

After the investments of 2011 through 2012, coal prices began a downward cycle dropping to multi-year lows in early 2016. Seaborne coal prices have recently increased: metallurgical coal price was quoted at over $300 per tonne in the fourth quarter of 2016 (compared to a low of $73 per tonne in the fourth quarter of 2015), and Newcastle thermal coal price was quoted nearly $115 per tonne in November 2016 (compared to a low of $47 per tonne in the first quarter of 2016), demonstrating coal price volatility, particularly when viewed in the context of the historical pricing highs of 2011 and 2012 and current forecasts. Within the past month, a price for the benchmark quality hard coking coal from Australia has been established at $285 per tonne for the first quarter of 2017, a 43% increase over the fourth quarter 2016 settlement. A settlement for low-vol PCI has also been reached at $180 per tonne for the first quarter of 2017. Spot prices for the benchmark quality hard coking coal have retreated to approximately $260 per tonne as of December 15, 2016.

On a consolidated basis, as of December 31, 2015, the Company had total assets and liabilities totaling approximately $11.0 billion and $10.1 billion, respectively. For the year ended December 31, 2015, the Company had consolidated revenues of approximately $5.6 billion. As of the Petition Date, approximately 7,100 employees worked for the Company globally (of whom 5,400 were hourly). For a discussion of the Company's current financial conditions, see Section IV herein.

Prior to the Petition Date, the Company continued to maintain an operational base and geographic diversity. The Debtors' target operating model was structured around a U.S. business unit, an Australian business unit and a corporate unit that is responsible for corporate functions and shared services. As of the Petition Date, the Company conducted business through seven segments: (1) PRB Mining; (2) Illinois Basin Mining; (3) Western U.S. Mining; (4) Australian Metallurgical Mining; (5) Australian Thermal Mining; (6) Trading and Brokerage; and (7) Corporate and Other, which included, among other things, selling and administrative expenses, corporate hedging activities, mining and export/transportation joint ventures, restructuring charges and activities associated with the optimization of the Company's coal reserve and real estate

[4952] The Chairman had previously served as a member of the Board of Directors since July 2009.

working capital adjustment. The transaction also includes contingent consideration that enables the Company to share equally with South32 in any revenue above an agreed metallurgical coal price forward curve, after taxes, royalties and appropriate discounts, on all coal sold for the 12 months following completion of the transaction, subject to extension if a minimum amount of coal is not sold during that period. The closing of the transaction is currently anticipated to occur in the first quarter of 2017 and is conditional on receipt of approval from the Australian Competition and Consumer Commission.

E. SG&A Expenses

The Company has taken major steps to reduce its general and administrative expenses ("SG&A Expenses"). These actions include eliminating over 45% of corporate positions in recent years, closing international and regional U.S. offices, streamlining reporting relationships and increasing manager span of control and implementing shared services across the Company's global operations to eliminate duplication. As a result, the Company maintains one of the lowest SG&A expense-to-revenues ratios in the industry despite its international reach. Since 2012, the Company's SG&A Expenses have remained constant as a percentage of revenue, despite billions of dollars in lower revenues.

F. Industry Outlook

The Company is primarily impacted by supply, demand and pricing related to the U.S. domestic coal, seaborne thermal coal and seaborne metallurgical coal.

Before and immediately following the Petition Date, the U.S. coal industry saw unprecedented industry-wide coal production declines largely due to the impact of increased electricity generation from low-cost natural gas and renewable fuels, decreased capacity utilization of coal fired power units, plant retirements, flat electricity demand, and reduced heating degree days. Natural gas prices rebounded in mid-2016, driving increased coal demand in the second half of 2016 though 2016 U.S. coal demand and production is still on a pace to be the lowest since the late 1970s.

Metallurgical and thermal coal pricing for Australia seaborne benchmark products also reached multi-year lows in late 2015 and early 2016 largely driven by excess supply and an easing of Chinese coal imports. However, seaborne prices improved sharply in the latter half of 2016 largely due to policy restrictions in China that limited domestic coal production and encouraged higher coal imports.

As discussed in the Debtors' Global Business Plan[~~50~~53] and the updated aspects of the financial projections included in the Global Business Plan based on recent pricing improvements (the "Updated Projections"), coal is expected to remain an essential source of global electricity generation and steelmaking for many decades to come. The Company projects U.S. coal demand for electricity generation will decrease 15 to 25 million tons between 2016 and 2021 as impacts from plant retirements more than offset higher capacity utilization. In 2021, coal is estimated to supply approximately 29% of U.S. electricity generation with the PRB and Illinois Basin expected to supply nearly 55% of U.S. coal production.

Seaborne metallurgical coal demand is expected to increase by 10% to 15% by 2021 largely due to demand growth in Asia, with India becoming the largest importer of seaborne metallurgical coal. Seaborne thermal demand is projected to increase by 25 to 35 million tonnes from 2016 through 2021 driven by Asia-Pacific growth as power and coal demand are expected to increase with new coal capacity. Approximately 375 gigawatts of new coal-fueled generating capacity is expected to be added worldwide by 2021. The majority of new capacity is expected to be ultrasupercritical or supercritical generation as the global coal-fueled generating fleet transitions to lower carbon dioxide and other emissions. The Company's projections are highly sensitive to changes in assumptions as described in the Global Business Plan.

[~~50~~53] The Global Business Plan is available on the Debtors' website at: https://mscusppegrs01.blob.core.windows.net/mmfiles/files/ch11/peabody-energy-business-plan.pdf.

Coal Company ("PWCC"), Seneca Coal Company and Big Sky Coal Company represented by the United Mine Workers of America ("UMWA") pursuant to the Western Surface Agreement of 2013 (the "PWCC Plan," and together with the PIC Plan, the "Qualified Retirement Plans"). The PIC Plan is comprised of approximately 7,350 participants. The PIC Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This plan was frozen effective May 31, 2008, for both participation and benefit accrual purposes. The value of the PIC Plan assets remains subject to increase or decrease based on investment performance and certain actuarial assumptions. As of December 31, 2015, the PIC Plan had approximately $637 million in net assets and pays approximately $54 million in benefits each year. During the year ended December 31, 2015, the Company contributed $4.5 million to the Qualified Retirement Plans. As of September 30, 2016, the Company expects to contribute approximately $0.5 million to the Qualified Retirement Plans to meet the minimum funding requirements for calendar year 2016.

The PWCC Plan is active and is comprised of approximately 1,150 participants and is subject to the provisions of ERISA. The value of the PWCC Plan assets remains subject to increase or decrease based on investment performance and certain actuarial assumptions. As of December 31, 2015, the PWCC Plan had approximately $120 million in net assets and pays approximately $7 million in benefits each year.

The Pension Benefit Guaranty Corporation ("PBGC") is the wholly-owned United States government corporation and agency of the United States created under Title IV of ERISA to administer the federal pension insurance programs and enforce compliance with the provisions of Title IV of ERISA. PBGC guarantees the payment of certain pension benefits upon termination of a pension plan covered by Title IV.

The PBGC asserts that PIC and PWCC and all members of its control group, are jointly and severally liable for the unfunded benefit liabilities of the Qualified Retirement Plans. See 29 U.S.C. § 1362(a). PBGC also asserts that PIC and PWCC and all members of their control groups are jointly and severally liable to PBGC for all unpaid premium obligations owed by either PIC or PWCC on account of the PIC Plan or the PWCC Plan, respectively.

PBGC has contingent claims in the Debtors' jointly administered bankruptcy cases against certain of the Debtors, jointly and severally, for unfunded benefit liabilities owed upon termination of the PWCC Plan and PIC Plan. The PBGC has filed certain liquidated, contingent claims and certain unliquidated, contingent claims for minimum funding contributions owed to the Qualified Retirement Plans and for statutory premiums owed to PBGC.

III. THE DEBTORS' PREPETITION CAPITAL STRUCTURE AND EVENTS LEADING TO THE CHAPTER 11 CASES

A. Long-Term Debt[~~51~~54]

Leading up to the Petition Date, the Debtors had approximately $4.3 billion (in principal amounts) of secured obligations consisting of:

- As of the Petition Date, (a) $1.65 billion revolving credit facility (the "Revolving Credit Facility") and (b) $1.2 billion term loan facility (the "Term Loan Facility," and together with the Revolving Credit Facility, the "First Lien Secured Credit Facilities") issued pursuant to that certain Amended and Restated Credit Agreement dated September 24, 2013, by and between PEC as Borrower, Citibank, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer and the other lenders party to the credit agreement Citigroup Global Markets, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp., Credit Agricole Corporate and Investment Bank, HSBC Securities (USA) Inc., Morgan Stanley Senior Funding, Inc., PNC Capital Markets LLC and RBS Securities Inc., as Joint Lead Arranger and Joint Book Managers and Bank of America, N.A.,

[~~51~~54] The following summary is qualified in its entirety by reference to the operative documents, agreements, schedules and exhibits.

as Syndication Agent; and MUFG Union Bank, N.A., Compass Bank, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Standard Chartered Bank, U.S. Bank National Association and Wells Fargo Bank N.A. as Co-Documentation Agents (as amended and restated, the "2013 Credit Agreement"), and as amended by the Omnibus Amendment Agreement, dated as of February 5, 2015 (the "Omnibus Amendment"), among PEC, Citibank, N.A., as Administrative Agent and L/C Issuer, and the other lenders party thereto. As of the Petition Date, the Debtors had drawn approximately $947 million in cash under the Revolving Credit Facility and had posted approximately $675 million in letters of credit under the Revolving Credit Facility;[~~52~~55]

- As of March 31, 2016, foreign currency and fuel transactions outstanding under their prepetition International Swaps and Derivatives Association ("ISDA") Master Agreements – forms published by ISDA, the swap industry's association, in the approximate notional amounts of $1.1 billion (foreign currency) and $271 million (for fuel),[~~53~~56] respectively, and mark to market values, as of April 11, 2016, of approximately $171 million (foreign currency) and $128 million (for fuel), respectively, which are generally considered "Swap Obligations," as that term is defined in the First Lien Credit Agreement;[~~54~~57]

- As of the Petition Date, $1.0 billion in principal amount of the 10.00% senior secured Second Lien Notes issued on March 16, 2015 by PEC, due in March 2022, which were secured by a second-priority lien on all the assets that secure the Debtors' obligations under the First Lien Credit Agreement, subject to permitted liens and other limitations; and

- As of the Petition Date, an accounts receivable securitization program (the "Securitization Facility"), which had a maximum capacity of $180 million, subject to eligible accounts receivable.[~~55~~58]

In addition to the secured indebtedness, as of the Petition Date, the Debtors had approximately $4.5 billion in unsecured funded indebtedness, consisting of approximately;[~~56~~59]

- $1.5 billion in principal amount of 6.00% senior notes issued in November 2011 by PEC, due in November 2018 (the "2018 Senior Notes");

- $650 million in principal amount of 6.50% senior notes issued in August 2010 by PEC, due in September 2020 (the "2020 Senior Notes");

- $1.3 billion in principal amount of 6.25% senior notes issued in November 2011 by PEC, due in November 2021 (the "2021 Senior Notes");

- $250 million in principal amount of 7.875% senior notes issued in October 2006 by PEC, due in November 2026 (the "2026 Senior Notes");

[~~52~~55] Balance subject to currency fluctuations to letters of credit being issued in both US dollars and Australian dollars.

[~~53~~56] Part of the $4.3 billion in secured indebtedness reflects the mark to market value, rather than notional value, of the Swap Obligations. These transactions were terminated postpetition.

[~~54~~57] "Swap Obligations," to the extent valid and in a net liability position, are first lien obligations secured by all property that is subject to liens under the First Lien Credit Agreement.

The Chapter 11 Cases constituted an event of default under the Debtors' derivative financial instrument contracts and the counterparties terminated the agreements shortly thereafter in accordance with contractual terms. The terminated positions are first-lien obligations under the Company's First Lien Credit Agreement. The net settlement liability was accounted for as prepetition liability subject to compromise without credit valuation adjustments. As of September 30, 2016, the Debtors had no derivative financial instruments in place in relation to diesel fuel or foreign currency exchange rate.

[~~55~~58] As described more fully below, although the Securitization Facility is administered through a wholly-owned, bankruptcy-remote subsidiary, P&L Receivables (as defined below), to the extent transfers of receivables are re-characterized as an extension of credit rather than as true sales, the Debtors party to the Securitization Facility have granted first priority secured interests and liens on the receivables in favor of the Administrator (as defined below).

[~~56~~59] These amounts exclude accrued but unpaid interest as of the Petition Date.

- $732.5 million in principal amount of the 2066 Unsecured Subordinated Debentures; and
- $22 million in, among other things, capital lease obligations.

1. The First Lien Credit Agreement

On September 24, 2013, PEC entered into a credit agreement with the lenders party thereto and Citibank, as administrative agent (the "First Lien Agent"). Prior to 2015, this agreement was unsecured, except for a pledge of 65% of Gib 2 and a pledge of the stock of Debtor PIC Funding. On February 5, 2015, the Debtors entered into an Omnibus Amendment related to the 2013 Credit Agreement that provided the Debtors with financial flexibility in exchange for the pledge of certain collateral and, among other things, amended negative covenants, lien covenants, financial maintenance covenants and additional mandatory prepayments, including with respect to the net proceeds of certain asset sales (subject to customary reinvestment rights). As noted above, the First Lien Credit Agreement provides for a $1.65 billion Revolving Credit Facility and a $1.20 billion Term Loan Facility. All obligations under the First Lien Credit Agreement are guaranteed by the Encumbered Guarantor Debtors and the Gold Fields Debtors and are secured by (i) a pledge of 65% of the stock of Gib 2, a holding company for the Company's Australian Mining Operations, (ii) a pledge of the stock of Debtor PIC Funding, a holding company whose sole asset is an intercompany receivable, which had a book value of $5.5 billion as of December 31, 2015, owed to it by Debtor PIC Holdings and (iii) "Collateral" (as defined in the First Lien Credit Agreement).[~~57~~60] The Collateral explicitly excludes certain assets, including, among others: (i) motor vehicles or other assets with certificates of title with a net book value of less than $1 million; (ii) commercial tort claims where the amount of the net proceeds claimed is less than $10 million; (iii) contracts and assets to the extent granting a lien would be prohibited by, or cause a default under, or breach a contract or would be prohibited by applicable law; (iv) letter of credit rights; (v) the receivables and related receivables assets sold in the Debtors' accounts securitization program; (vi) certain real property interests that are not material real property; (vii) certain trademark applications; and (viii) certain equity interests of foreign subsidiaries, non-wholly owned subsidiaries, non-profits and similar entities.

As mentioned above, the Encumbered Guarantor Debtors guarantee obligations under the First Lien Credit Agreement. See First Lien Credit Agreement, § 1.01. The First Lien Credit Agreement contains a limit on the amount of debt that may be secured by Principal Property and Capital Stock, as defined in the First Lien Credit Agreement. The Unencumbered Debtors are not guarantors under the First Lien Credit Agreement.[~~58~~61]

In February 2016, the Company borrowed approximately $947 million under its Revolving Credit Facility, which represented the then-remaining undrawn available amount. As of the Petition Date, the Company had no remaining availability under the Revolving Credit Facility with approximately $675 million in outstanding letters of credit.

Prior to the Petition Date, PEC and PIC collectively transferred $450 million to Peabody Global Funding, LLC (f/k/a Global Center for Energy and Human Development, LLC) ("Global Funding"), a non-debtor wholly-owned indirect subsidiary. Of this $450 million transfer, $250 million has been earmarked to fund the Debtors' non-debtor Australian Mining Operations as needed, which obligation is evidenced by a secured intercompany revolving loan (the "Australian Intercompany Loan Facility") documented by that certain Credit Agreement, dated as of April 12, 2016 (the "Intercompany Credit Agreement"), among Peabody Energy Australia Coal Pty Ltd., a non-debtor affiliate, as Borrower; Global Funding, as lender; and certain of the

[~~57~~60] "Collateral" is defined in the First Lien Credit Agreement as: consisting of ". . . substantially all of the personal property and material owned real property of the Borrower and the Guarantors, and includes all Accounts, Receivables, As Extracted Collateral, Chattel Paper, Deposit Accounts, Documents, Equipment, Fixtures, General Intangibles, Instruments, Insurance, Intellectual Property, Investory, Investment Property, Letter of Credit Rights, Money, Pledged Equity Interests, Vehicles, Collateral Accounts, Goods, Commercial Tort Claims (each as defined in the Uniform Commercial Code), supporting books and records, and all proceeds, products, supporting obligations and guarantees in support of the foregoing. Notwithstanding the foregoing, the Collateral excludes the Excluded Assets." See First Lien Credit Agreement, § 2.

[~~58~~61] For further information on the First Lien Credit Agreement and the Term Loan Facility, see the *Declaration of Amy B. Schwetz, Executive Vice President & Chief Financial Officer of Debtor Peabody Energy Corporation, In Support of First Day Motions of Debtors and Debtors in Possession* [Docket No. 7].

Company's non-debtor Australian affiliates, as guarantors (the "Australian Loan Guarantors"). The Intercompany Credit Agreement terminates on the earlier of (i) March 12, 2019 and (ii) the date that all of the Revolving Commitments (as defined in the Intercompany Credit Agreement) are satisfied under the terms of the Intercompany Credit Agreement. The obligations under the Intercompany Credit Agreement are secured by, subject to certain carve outs and restrictions set forth in the Loan Documents (as such term is defined in the Intercompany Credit Agreement), the assets of the Australian Loan Guarantors.

The secured Australian Intercompany Loan Facility was designed to provide additional liquidity to support the ongoing operations of the Australian Mining Operations during the Chapter 11 Cases, with draw amounts being tied to operating budgets and subject to certain availability restrictions. The remaining $200 million of the transfer is held in reserve, pursuant to the now-terminated DIP Facility Credit Agreement, and could be utilized only upon written consent of the Debtors' lenders under the DIP Facility Credit Agreement (the "DIP Facility Lenders"). The DIP Facility Lenders' consent was also required to grant liens valued at 50% of more of the assets collateralizing the Australian Intercompany Loan Facility. The DIP Facility Lenders expressly consented to an amendment or waiver of provisions in the Australian Intercompany Loan Facility to permit the release or subordination of collateral thereunder, including as a result of potential asset sales, of up to $250 million in cash proceeds in the aggregate over the life of the Australian Intercompany Loan Facility. As of September 30, 2016, $30.0 million was outstanding on the Australian Intercompany Loan Facility.

2. Securitization Facility

Prior to the Petition Date, the Debtors maintained an accounts receivable securitization program (the "Securitization Program") with PNC Bank, National Association (the "Administrator")[~~59~~62] through a wholly-owned, bankruptcy-remote subsidiary, P&L Receivables Company ("P&L Receivables"), whereby Debtors have access to a Securitization Facility. The Securitization Program historically was available for two purposes: (i) to obtain cash advances by selling interests in P&L Receivables' pool to the Securitization Purchasers[~~60~~63] and (ii) for the issuance of letters of credit. At the Petition Date, the Debtors utilized proceeds from the sale of their accounts receivable solely for the issuance of letters of credit.

The Securitization Program operates through a series of true sales of receivables of certain of the Debtors by those Debtors to PEC. PEC, in turn, contributes those receivables to P&L Receivables and P&L Receivables, in turn, sells those certain eligible trade receivables (the "Receivables") to the purchasers under the Securitization Program and obtains cash or letters of credit from the Administrator secured by the Receivables pool. Under the Securitization Program, the transfer of the Receivables is perfected by filing UCC financing statements. To the extent these transfers are re-characterized as an extension of credit rather than true sales, the Debtors party to the Securitization Facility have granted first priority security interests and liens on the Receivables, and the proceeds therefrom, in favor of the Administrator and the Securitization Purchasers.

The Securitization Facility was originally scheduled to mature in April 2016, but on March 25, 2016, the Debtors continued, amended and restated this facility. As set forth above, the Securitization Facility has a maximum capacity of $180 million, subject to eligible accounts receivable. Pursuant to the Amended Purchase Agreements (as defined below), the maturity date of the Securitization Facility was extended to March 25, 2018. In exchange for the extension, the Company agreed, *inter alia,* to increase certain pricing elements of the Securitization Program, relinquish control over the accounts in which the Receivables are collected and provide more frequent reports on receivables balances before cash is remitted to the Debtors' control. In addition, prior to the Petition Date, the Debtors and the Administrator amended the Securitization Facility to eliminate provisions that would terminate the Securitization Facility automatically upon commencement of the Chapter 11

[~~59~~62] "Securitization Parties" means PNC Bank, National Association, solely in its capacity as administrator and issuer of letters of credit under the Receivables Purchase Agreement and the other parties to the Receivables Purchase Agreement from time to time, as securitization purchasers, solely in their capacity as such.

[~~60~~63] The "Securitization Purchasers" are defined as the LC Participants (which include P&L Receivables; PEC; certain other Debtors as sub-servicers under the Fifth Amended and Restated Receivables Purchase Agreement, dated as of March 25, 2016) and PNC Bank, as issuer of letters of credit under the Securitization Facility.

7. 2026 Senior Notes

On October 12, 2006, PEC consummated the sale of the 2026 Senior Notes. The 2026 Senior Notes mature on November 1, 2026 with interest payments due semiannually on May 1 and November 1. As of the Petition Date, approximately $259 million in principal and accrued interest was outstanding under the 2026 Senior Notes. The 2026 Senior Notes are unsecured obligations of all of the Debtors other than the Unencumbered Debtors and Gib 1.

8. 2066 Unsecured Subordinated Debentures

On December 20, 2006, PEC consummated the sale of $732.5 million in aggregate principal amount of 4.75% convertible junior 2066 Unsecured Subordinated Debentures. The 2066 Unsecured Subordinated Debentures mature on December 15, 2066. Interest on the 2066 Unsecured Subordinated Debentures is payable semiannually on June 15 and December 15 and accrues at the rate of 4.75% per year. The 2066 Unsecured Subordinated Debentures are convertible, subject to certain conditions, prior to maturity into cash or shares of (i) perpetual preferred stock of PEC or, under certain circumstances, (ii) common stock, par value $0.01 per share, of PEC. As of the Petition Date, approximately $744 million in principal and accrued interest was outstanding under the 2066 Unsecured Subordinated Debentures (excluding unamortized discount).

The 2066 Unsecured Subordinated Debentures are subordinated to the claims of all holders of Senior Indebtedness,[6164] which includes all debt under the First Lien Credit Agreement, the Second Lien Notes and the Unsecured Senior Notes. Pursuant to Article 14 of the indenture for the 2066 Unsecured Subordinated Debentures (the "2066 Subordinated Indenture"), (i) the First Lien Lenders, (ii) the Second Lien Noteholders and (ii) the holders of the 2018 Senior Notes, the 2020 Senior Notes, the 2021 Senior Notes and the 2026 Senior Notes (such holders, collectively, the "Unsecured Senior Noteholders") are entitled to receive payment in full in cash before holders of the 2066 Unsecured Subordinated Debentures are entitled to receive any payment. Holders of the 2066 Unsecured Subordinated Debentures are to hold any distribution of assets in contravention of the subordination provisions, pursuant to Section 14.05 of the 2066 Subordinated Indenture, in trust for the holders of Senior Indebtedness.

B. Trade Debt

The Debtors' trade debt consists of amounts owed to utilities and suppliers of various goods and services, including, among others, maintenance and repair parts and services, required mining equipment and support structures, commodities and explosives. The majority of the Debtors' vendors are paid on negotiated terms, which have generally ranged from 30 to 60 days. As discussed in Section IV below, the Debtors have received authority to, among other things, pay certain prepetition claims of essential vendors, lienholders and other trade creditors.

C. Federal Coal Leasing Obligations

The Debtors have numerous U.S. federal coal leases, including leases related to the Debtors' principal coal reserves in the PRB, that are administered by the U.S. Department of Interior under the Mineral Leasing Act of 1920, as amended by the Federal Coal Leasing Amendment Act of 1976. Under the terms of these leases, the Debtors must diligently develop each federal lease within ten years of the lease award. In order to

[6164] Pursuant to the 2066 Subordinated Indenture dated December 20, 2006 between PEC and U.S. Bank National Association (the "Subordinated Notes Indenture"), as trustee, "Senior Indebtedness" includes, among other things, "all indebtedness of the Company or any Guarantor outstanding under the Senior Credit Facilities or Senior Notes and related Guarantees (including interest accruing on or after the filing of any petition in bankruptcy or similar proceeding or for reorganization of the Company or any Guarantor (at the rate provided for in the documentation with respect thereto, regardless of whether or not a claim for post filing interest is allowed in such proceedings)), and any and all other fees, expense reimbursement obligations, indemnification amounts, penalties, and other amounts (whether existing on the date of issuance of the Securities or thereafter created or incurred) and all obligations of the Company or any Guarantor to reimburse any bank or other Person in respect of amounts paid under letters of credit, acceptances or other similar instruments." Defined terms have the meanings given to them in the 2066 Subordinated Indenture.

meet diligent development requirements, the lessee must extract one percent of lease recoverable reserves within that ten-year period. If a lessee does not achieve diligent development within ten years, the lease will be terminated. Once the lease meets diligent development requirements, it is said to be in "continued operations" and the lessee must continue to produce one percent of the recoverable reserves during each continued operation year, or pay advance royalty. In addition, in order to obtain these leases, the Debtors were required to pay a "bonus bid" as per-ton payments to the federal government. As an example, the bonus payment totaled $1.2 billion over a five year period ending in 2016 for the right to receive a federal lease for the North and South Porcupine reserves in the PRB. The Debtors pay the federal government an annual rent of $3.00 per acre and annual production royalties of 12.5% of the gross proceeds of coal mined and sold for surface-mined coal and 8% of gross proceeds for underground-mined coal. The U.S. federal government limits by statute the amount of federal land that may be leased by any company and its affiliates at any time to 75,000 acres in any one state and 150,000 acres nationwide. As of December 31, 2015, the Debtors leased federal land in Colorado, New Mexico and Wyoming. The Debtors also lease land in northern Arizona lying within the boundaries of the Navajo Nation and Hopi Indian reservations, which are governed by provisions similar to the BLM provisions applicable to U.S. federal coal leases.

D. Capital Lease Obligations

As of the Petition Date, the Debtors' liability related to certain lease obligations (*e.g.*, leases of certain property, plant and mining equipment) totaled approximately $22 million.

E. Coal Mine Reclamation Obligations

The Debtors view coal mine reclamation as an essential part of the mining process, take great pride in this work and have been routinely recognized for their restoration programs. The Debtors' coal mine reclamation obligations (the "Coal Mine Reclamation Obligations") arise pursuant to the federal Surface Mining Control and Reclamation Act of 1977 ("SMCRA") and similar state statutes, which generally require that mined land be restored in accordance with specified standards and an approved reclamation plan. Standards for mine reclamation have been established by various state and federal regulatory agencies and dictate the reclamation requirements at the Debtors' coal mined properties. The Debtors' Coal Mine Reclamation Obligations consist principally of costs necessary to (a) reclaim refuse and slurry ponds, (b) reclaim mining areas, (c) seal portals at underground mines and (d) treat water used in mining operations.

As shown below, as of the Petition Date, the Debtors had posted third-party surety bonds in favor of the applicable government agencies and other third parties in the several states.[~~62~~65] The vast majority of the Debtors' outstanding surety bonds relate to the Debtors' Coal Mine Reclamation Obligations. The Debtors have also maintained during the Chapter 11 Cases the privilege of self-bonding for their Coal Mine Reclamation Obligations in four states: Wyoming, New Mexico, Illinois and Indiana (the "Self-Bonding States"). Shortly before the Petition Date, the Citizen Groups (as defined below) commenced separate proceedings with the federal Office of Surface Mining and Reclamation Enforcement ("OSMRE") and the relevant state regulatory authorities in Illinois, Indiana, and Wyoming asserting (under SMCRA and parallel statutes and regulations in each state) that the Debtors no longer qualified for self-bonding and should be required to provide substitute financial assurance, in the form of commercial surety bonds, within the 90-day time frame required by applicable law. Those proceedings continue at this time. As discussed in detail in Section IV.I. herein, during these Chapter 11 Cases, the Debtors have worked with the Self-Bonding States to resolve any disputes regarding the Debtors' Coal Mine Reclamation Obligations in the Self-Bonding States for the duration of the Chapter 11 Cases. Those Self-Bonding Stipulations (as defined below) will terminate on or before the Effective Date of the Plan. Thereafter, the Debtors will be required to continue to comply with all applicable state and federal laws governing reclamation bonding. The Debtors intend to continue their mining operations and will perform coal mine reclamation obligations in the State of Illinois and will comply with applicable Illinois law with respect to

[~~62~~65] The Arizona bonds are posted with the Office of Surface Mining Reclamation and Enforcement ("OSMRE") and BLM. The majority of the surety bond obligation amounts in Illinois and Pennsylvania consists of indemnifications of third-party companies. As a result, the Debtors' obligations in these instances are with the surety companies, not the states.

environmental and reclamation obligations. The Debtors disagree with the positions taken by the Citizen Groups as discussed in greater detail in Section IV.I.

	Total Reclamation Obligations	Surety Bond Obligations	Self-Bonding Obligations
Arizona	$ 294.4	$ 294.4	$ —
Colorado	30.6	30.6	—
Illinois	154.6	62.6	92.0
Indiana	157.9	10.9	147.0
Montana	5.0	5.0	—
New Mexico	181.0	—	181.0
Pennsylvania	17.1	17.1	—
Wyoming	728.0	—	728.0
Total	$ 1,568.6	$ 420.6	$ 1,148.0

*Numbers in millions

As of the Petition Date, the Company's aggregate accrued Coal Mine Reclamation Obligations for surface land reclamation and support facilities at both surface and underground mines were approximately $723 million globally, with approximately $25 million of planned expenditures expected to occur within one year of the Petition Date. These Coal Mine Reclamation Obligations are in accordance with applicable reclamation laws in the U.S. and Australia, as defined by each mining permit. The aggregate accrued Coal Mine Reclamation Obligations are based on a variety of assumptions tied to the Company's existing operations and mine plans that may change in light of actual events. The Company also recognizes Coal Mine Reclamation Obligations that are incurred contemporaneously as a result of surface mining. Contemporaneous reclamation consists primarily of grading, topsoil replacement and re-vegetation of backfilled pit areas.

nearly 5% to approximately 275 million tonnes. In seaborne thermal coal markets, demand declined 8% or approximately 75 million tonnes in 2015 as a result of a nearly 75 million tonne reduction in Chinese imports and a decline in international liquefied natural gas prices.

Within the United States, demand from electric utilities declined approximately 110 million tons to approximately 740 million tons in 2015 based, in large part, on flat overall generation demand, decreased capacity utilization of coal generation, increase in electricity generation from low-cost natural gas and renewable fuel sources, plant retirements and reduced heating degree days in the United States. Natural gas prices fell nearly 40% in 2015 to an average of $2.63 per mm/Btu from $4.26 per mm/Btu in 2014, which drove coal's share of electricity generation in the power sector down to approximately 33% compared with approximately 40% in the prior year. U.S. coal production declined by approximately 105 million tons in 2015 to approximately 900 million tons as production cutbacks accelerated during the year. Despite supply reductions, reduced coal demand led to utility inventories rising nearly 30% above prior year levels. For the Debtors specifically, U.S. coal shipments declined 7% in 2015. The Debtors' U.S. coal shipments during the first quarter of 2016 were down another 33% compared to the first quarter of 2015.

This convergence of marked reduction, in both volume and pricing, substantially impacted the Company's revenues and cash flows. For a discussion of the Debtors' postpetition financial performance and current industry volatility, see Section IV below. Despite the delivery of a strong operating performance by the Company in 2015, including the creation of a leaner capital structure and reduced SG&A Expenses, as discussed below, the decline in coal prices and demand had significant negative impacts on the Company's financial results, including (a) a net loss for 2015 of approximately $2.0 billion (on total assets and liabilities of approximately $11.0 billion and $10.1 billion respectively) and (b) steadily contracting cash flow from operations. Prior to the Petition Date, the Debtors assumed (as reflected in the DIP budget) that pressure would remain over the next year.

The Company ended the 2015 fiscal year with $1.2 billion of liquidity and about $710 million in letters of credit outstanding compared to available liquidity of $2.1 billion as of December 31, 2014. In 2015, the Company's liquidity began to decline, due in part to approximately $400 million in cash interest payments, $277 million in federal coal lease obligations, decreased cash from operations and a $75 million payment to the Patriot Voluntary Employee Benefits Association ("VEBA")[6366] and lower cash from operations. The sharp decline in liquidity occurred primarily in the fourth quarter of 2015 when available liquidity decreased approximately $600 million from $1.8 billion compared to the third quarter of 2015, primarily due to providing additional credit support to financial institutions, $188 million in lease payments and lower cash from operations.

Unprecedented industry conditions continued into the first quarter of 2016. In the U.S., industry-wide production declined nearly 30% to approximately 173 million tons driven by approximately 15-year low natural gas prices due to overproduction and mild weather. During this same time, U.S. coal demand declined approximately 20% to approximately 152 million tons. Internationally, thermal coal prices for the April 2 Japanese fiscal year benchmark product settled at $61.60 per tonne, 9% below prior-year marks of $67.80 per tonne. Metallurgical coal benchmark for the first quarter of 2016 settled at $81 per tonne, which was a multi-year low.

As of the Petition Date, liquidity totaled approximately $636 million, primarily consisting of cash. During the first quarter of 2016, the Company borrowed $947.0 million under its Revolving Credit Facility for general corporate purposes. The Debtors also had approximately $845 million in letters of credit under the Revolving Credit Facility and the Securitization Facility that supported bank guarantees, surety bonds, hedges

[6366] The Debtors made this payment pursuant to a 2013 settlement agreement that the Debtors entered into with the UMWA and Patriot in connection with Patriot's first bankruptcy case (the "2013 Settlement"). After Patriot filed a second bankruptcy in May 2015, a dispute developed with the UMWA regarding the Debtors' obligation to make two remaining payments due in 2016 and 2017 under the 2013 Settlement which together totalled $145 million. On December 30, 2015, the Debtors entered into another settlement agreement with Patriot and the UMWA resolving that dispute (the "2015 Settlement"), which became effective on January 6, 2016. The 2015 Settlement, among other things, eliminated any obligation for the Debtors to pay the remaining $145 million under the 2013 Settlement and required the Debtors instead to pay the VEBA $75 million over a ten month period in 2016.

4. Surety Bonds

With respect to the Debtors' surety bond obligations for environmental reclamation and other purposes, the Bankruptcy Court entered a final order on May 18, 2016, confirming the Debtors' authority: (a) to maintain, continue and renew their surety bond program without interruption; and (b) to maintain collateral and perform under certain prepetition indemnity agreements as necessary to continue such program.

5. Essential Suppliers

The Debtors sought and obtained a final order on May 17, 2016, authorizing them to pay up to $10.3 million in prepetition claims of suppliers and service providers that were essential to the continued operation of the Debtors' businesses (the "Essential Suppliers"), including (a) safety equipment and service suppliers, (b) environmental service providers; (c) fuel, lubricant, chemical and mineral suppliers; (d) suppliers of specialized goods, and providers of specialized services, required for coal production and processing; and (e) suppliers of coal necessary for the Debtors to satisfy their customer obligations. The Debtors also requested and obtained permission to pay any claims of the Essential Suppliers that would be entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code.

6. 503(b)(9) Claims

The Bankruptcy Court entered an order on May 17, 2016, establishing procedures for the assertion of claims arising from goods received by the Debtors during the 20-day period prior to the Petition Date under section 503(b)(9) of the Bankruptcy Code for non-Essential Suppliers (the "503(b)(9) Claims"). The Bankruptcy Court gave the Debtors authority to, among other things, pay certain 503(b)(9) Claims prior to the Effective Date of the Plan if certain procedures were met.

7. Lien Claims

The Bankruptcy Court entered an order on April 15, 2016, authorizing the Debtors to pay, in their discretion, the claims of certain parties with commercial or trade relationships with the Debtors that may otherwise have held or could assert liens on and interests in property of the Debtors' estates, including by retaining possession of such property.

8. Prepetition Taxes

The Bankruptcy Court entered an order on April 15, 2016, authorizing the Debtors to pay various prepetition tax and other liabilities to governmental entities, including, among others: (a) production taxes; (b) black lung excise taxes; (c) sales and use taxes; (d) franchise taxes; (e) environmental and safety taxes; and (f) certain other taxes or fees.

9. Coal Contracts

To avoid any uncertainty about the effect of the Chapter 11 Cases on the Debtors' coal sale contracts, which may otherwise have deterred parties from entering into or negotiating such contracts, the Debtors obtained an order on April 15, 2016, confirming their authority to enter into and perform under such contracts.

10. Customer Obligations

The Debtors sought and obtained an order on April 15, 2016, authorizing them to continue to perform certain obligations to their customers that are customary in the coal industry, including quality and volume adjustments.

The DIP Facility Credit Agreement included covenants that, subject to certain exceptions, required PEC to maintain certain minimum thresholds of liquidity and Consolidated EBITDA (as defined in the DIP Facility Credit Agreement) and to not exceed a certain maximum capital spend, and limited the ability of the PEC and the DIP Guarantors to, among other things (a) make dispositions of material leases and contracts, (b) make acquisitions, loans or investments, (c) create liens on their property, (d) dispose of assets, (e) incur indebtedness, (f) merge or consolidate with third parties, (g) enter into transactions with affiliated entities and (h) make material changes to their business activities.

In addition to customary events of default, the DIP Facility Credit Agreement contained and the Final DIP Order contains certain milestones relating to the Chapter 11 Cases (certain ~~of which~~ milestones have been modified ~~as reflected below~~ pursuant to amendments to the DIP Facility Credit Agreement and the Final DIP Order entered into since the Petition Date, as discussed in further detail below), the failure of which, if not cured, amended or waived, would result in an event of default. The milestones set forth in the Final DIP Order, as amended, are as follows:

- Not later than 120 days following the Petition Date (*i.e.*, August 11, 2016), delivery of the U.S. Business Plan and the Australian Business Plan (the "Business Plan Milestone");
- Not later than the earlier of (a) the date that is three business days following the entry of the Final DIP Order and (b) the date that is 45 days following the Petition Date (or May 28, 2016), PEC must commence a declaratory judgment action against Citibank, in its capacity as First Lien Agent, and Wilmington Bank, in its capacity as Second Lien Notes Indenture Trustee, seeking a resolution (the "CNTA Filing Milestone") of the CNTA Issues;[~~64~~67]
- Not later than December 22, 2016, the filing of an Acceptable Reorganization Plan;[~~65~~68]
- Not later than January 31, 2017, entry of an order approving a disclosure statement for an Acceptable Reorganization Plan; and
- Not later than 330 days following the Petition Date (*i.e.*, March 9, 2017), entry of an order confirming an Acceptable Reorganization Plan and not later than 360 days following the Petition Date (*i.e.*, April 8, 2017), effectiveness of an Acceptable Reorganization Plan.

As of the date of this Disclosure Statement, the Debtors have satisfied the Business Plan Milestone and the CNTA Filing Milestone.

The scheduled maturity under the DIP Facility Credit Agreement was the earliest of (a) the Scheduled Termination Date;[~~66~~69] (b) 45 days after entry of the Interim Order if the Final Order has not been entered prior to

[~~64~~67] The DIP Facility Credit Agreement originally contained a milestone (the "CNTA Order Date Milestone") requiring the Bankruptcy Court to have entered an order determining the CNTA issues by a set date (the "CNTA Order Date"). As discussed below, the Debtors entered into a stipulation and order on November 23, 2016, which eliminated the CNTA Order Date Milestone from the DIP Facility Credit Agreement.

[~~65~~68] "Acceptable Reorganization Plan" means a reorganization plan that (a) provides for the termination of the commitments and the payment in full in cash of the obligations under the DIP Facility Credit Agreement (other than contingent indemnification obligations for which no claims have been asserted) on the consummation date of such reorganization plan and (b) provides for customary releases of the DIP Facility Agent, the DIP Facility Lenders and the L/C Issuer and each of their respective representatives, from any and all claims against the DIP Facility Agent, the DIP Facility Lenders and the DIP L/C Issuer in connection with the DIP Facility Credit Agreement or the cases to the fullest extent permitted by the Bankruptcy Code and applicable law. Defined terms in this footnote that are neither defined in the Plan nor in the Disclosure Statement have the meaning given to them in the DIP Facility Credit Agreement.

[~~66~~69] "Scheduled Termination Date" means the date that is 12 months after the Closing Date (or April 18, 2017) provided that such date may, at the election of PEC, be extended by up to an additional six months so long as, at the time such extension shall become effective, (a) there shall exist no default under the DIP Facility Credit Agreement, (b) the representations and warranties of the Loan Parties therein shall be true and correct in all material respects, (c) PEC shall have paid or caused to be paid to the DIP Facility Agent for the account of each DIP Lender an extension fee in an amount equal to 2.50% of such DIP Lender's outstanding exposure under the DIP Term Loan Facility at such time and (d) PEC shall have delivered to the DIP Facility Agent an updated DIP Budget covering the additional period to be effected by such extension. Defined terms in this footnote that are neither defined in the Plan nor in the Disclosure Statement shall have the meanings attributed to them in the DIP Facility Credit Agreement.

5. The Challenge Period

Paragraph 19 of the Final DIP Order provides parties in interest, including any committee appointed in these Chapter 11 Cases, with a period of 90 days (or later, if agreed to by the agent under the First Lien Credit Agreement and the trustee of the Second Lien Notes or ordered by the Bankruptcy Court) (the "Challenge Period") to file an adversary proceeding or contested matter challenging the validity, perfection, enforceability, priority, or extent of the prepetition secured debt or security interests thereunder (a "Challenge Proceeding").

On August 15, 2016, by stipulation, the Challenge Period was extended to September 30, 2016 solely for (a) the Creditors' Committee and (b) the *Ad Hoc* Group of Unsecured Senior Noteholders to file a Challenge Proceeding under the Final DIP Order (subject to the terms set forth in the applicable stipulation).

As discussed in Section I.A.6. herein, on September 1, 2016, the Creditors' Committee sent a letter to the agent under the First Lien Credit Agreement, the trustee of the Second Lien Notes and the Debtors describing possible claims and causes of action it had identified as potentially subject to a Challenge Proceeding which it supplemented on September 15, 2016 (together, the "Creditors' Committee Alleged Causes of Action").

On September 29, 2016, the Challenge Period was extended for a second time, by stipulation, to October 31, 2016 solely for the Creditors' Committee to initiate a Challenge Proceeding solely with respect to the Creditors' Committee Alleged Causes of Action. Pursuant to the September 29, 2016, stipulation, the Creditors' Committee agreed to provide the Debtors; Citibank, as First Lien Agent; and the Wilmington Savings Bank, as Second Lien Notes Indenture Trustee, with a draft complaint containing a reasonably detailed description of the Creditors' Committee Alleged Causes of Action for which the Creditors' Committee in good faith intends to seek standing to pursue on behalf of the Debtors' estates by October 11, 2016. The Creditors' Committee delivered this draft complaint to the Debtors on October 11, 2016 (the "Draft Complaint").

The Challenge Period was further extended, by stipulation, on October 19, 2016 to December 2, 2016 solely for the Creditors' Committee to initiate a Challenge Proceeding solely with respect to the claims asserted in the Draft Complaint and amendments to the Draft Complaint that would be permitted under the Bankruptcy Code, the Federal Rules of Civil Procedure and applicable orders of the Bankruptcy Court as if the Creditors' Committee had commenced a Challenge Proceeding by October 11, 2016. ~~The extension~~This deadline has since been extended three times by stipulation and is now March 8, 2017 solely to the extent set forth therein.

6. The CNTA Dispute

On May 20, 2016, the Debtors brought the CNTA Dispute Adversary Proceeding, against Citibank, in its capacity as First Lien Agent under the 2013 Credit Agreement, and Wilmington Savings Bank, in its capacity as Second Lien Notes Indenture Trustee seeking a resolution of the CNTA Issues.

On June 13, 2016, Citibank filed its answer and counterclaim with the Bankruptcy Court; Wilmington Savings Bank filed an answer on June 22, 2016. On June 20, 2016, the Bankruptcy Court granted the Debtors' motion to direct the parties to participate in non-binding mediation. The Honorable James L. Garrity, Jr. of the United States Bankruptcy Court for the Southern District of New York was appointed to serve as mediator. Both the Creditors' Committee and the *Ad Hoc* Group of Unsecured Senior Noteholders were granted permission via stipulation and order to intervene in the CNTA Dispute Adversary Proceeding, solely to the extent set forth in the applicable stipulation and order.

Following document production and depositions, facts and expert discovery closed in August 2016. The Debtors filed a motion for summary judgment on August 24, 2016, that was joined by the Creditor's Committee and the *Ad Hoc* Group of Unsecured Senior Noteholders. Citibank filed a motion for summary judgment on August 24, 2016. On September 1, 2016, Wilmington Savings Bank filed a statement regarding the provisions of the Second Lien Notes Indenture relevant to the CNTA Dispute; the Debtors and Citibank filed motions in opposition to the Citibank and the Debtors' summary judgment motions, respectively, on September 8, 2016. The Bankruptcy Court heard oral argument on the cross motions for summary judgment on September 12, 2016. On September 13, 2016, (a) the Bankruptcy Court entered an order granting Citibank's previously-

filed motion to amend its answer and counterclaim, (b) Citibank filed its answer and amended counterclaim for declaratory relief and (c) the Bankruptcy Court entered an order vacating the trial dates that had been previously scheduled in the CNTA Dispute Adversary Proceeding.

On October 7, 2016, the *Ad Hoc* Group of Second Lien Noteholders filed a motion to intervene in the CNTA Dispute Adversary Proceeding as defendants. The Debtors and the *Ad Hoc* Group of Second Lien Noteholders reached an agreement regarding the motion to intervene whereby the *Ad Hoc* Group of Second Lien Noteholders was allowed to intervene in the CNTA Dispute Adversary Proceeding solely in connection with any motion for reconsideration or reargument of any issue in or related to the CNTA Dispute Adversary Proceeding and any appeals of any summary judgment decisions or other orders issued in the CNTA Dispute Adversary Proceeding, and solely to the extent set forth in the applicable stipulation and order. The Bankruptcy Court approved the *Ad Hoc* Group of Second Lien Noteholders' motion, subject to the agreed-upon limitations on November 17, 2016.

The CNTA Mediation before Judge Garrity commenced on September 16, 2016. During the CNTA Mediation, the CNTA Parties agreed that the CNTA Issues should be resolved as part of negotiating the plan of reorganization. Discussions thereafter ensued in September 2016 through December 2016 over the plan of reorganization, which included the CNTA Dispute and other complex issues to which the CNTA Parties settled as part of the Global Settlement, as discussed in Section I.A. above. The Bankruptcy Court had been kept apprised of the progress of the CNTA Mediation by the Debtors and the CNTA Parties through status conferences.

F. Adversary Proceedings and Other Litigation Matters

1. APS Adversary Proceeding

On May 5, 2016, the Arizona Public Service Company ("APS") and PacifiCorp (collectively, the "APS Defendants") filed a motion seeking a declaration that the coal supply agreement between the APS Defendants and Debtor Peabody COALSALES LLC ("Peabody COALSALES"), dated December 21, 2005 (the "Coal Supply Agreement") was "safe-harbored" under section 556 and 560 of the Bankruptcy Code and that, as a result, the APS Defendants could, at their option, terminate the Coal Supply Agreement (the "Termination Motion"). On May 13, 2016, the Debtors brought an adversary complaint (Adv. Case No. 16-04066) against the APS Defendants seeking damages for the APS Defendants' breach of the Coal Supply Agreement and violations of the automatic stay. Under the Coal Supply Agreement, Peabody COALSALES supplies coal to the APS Defendants for a coal-fuel powered plant in northeast Arizona. The Bankruptcy Court consolidated the adversary proceeding and the Termination Motion on July 21, 2016 (the "Consolidated Proceeding"). The APS Defendants filed their answer in the Consolidated Proceeding on July 29, 2016.

After participating in a number of mediation sessions conducted by Judge Robert E. Gerber that were finalized on January 6 through January 8, 2017 in Salt Lake City, Utah, the Debtors, on the one hand, and APS and PacifiCorp, on the other, reached the terms of an agreement to settle the Consolidated Proceeding. Under the settlement, the parties have agreed (a) to make certain amendments to the Coal Supply Agreement; (b) that the Debtors will assume the Coal Supply Agreement, as amended; (c) to suspend (and ultimately dismiss) the adversary case against APS and PacifiCorp and the consolidated contested matter pending before the Bankruptcy Court, including staying all discovery currently underway; and (d) to mutually release all claims against one another relating to the Coal Supply Agreement arising prior to the Effective Date (as specified therein) of the 9019 order approving the settlement other than those related to performance of the Coal Supply Agreement as amended by the Settlement Agreement. The amendment to the Coal Supply Agreement is confidential and, while it retains the general framework of the original bargain struck between the parties, the parties have agreed to modify certain elements of the bargain in connection with the pending dispute.

2. Bowie Litigation

Debtor Four Star filed an adversary proceeding against Bowie Resource Partners, LLC (Adv. Case No. 16-04073) on June 1, 2016, to recover the termination fee owed by Western Megawatt Resources, LLC

Court judgment. Berenergy's motion was granted. Berenergy has filed a notice of appeal of the Wyoming Court judgment, and the Company has filed a cross-notice of appeal.

c. **Sierra Club Litigation**

In order to resolve the *Limited Objection and Reservation of Rights of Sierra Club to Debtors' Proposed Disclosure Statement* (Docket No. 2099) the Debtors have agreed to include the below language in this Disclosure Statement:

> *Prior to the Petition Date, on May 2, 2012, Sierra Club and WildEarth Guardians (collectively, the "Environmental Groups") commenced a Petition for Review of Agency Action by filing a civil lawsuit against the U.S. Bureau of Land Management ("BLM") in the U.S. District Court for the District of Columbia (the "Action"). This action was subsequently transferred to the U.S. District Court for the District of Wyoming (the "District Court"), and was assigned Civil Action No. 2:13-cv-00042-ABJ. The Action pertains to the BLM's environmental review, and subsequent sale, of four federal coal leases in the Powder River Basin in the state of Wyoming (the North Hilight, South Hilight, North Porcupine and South Porcupine leases; collectively, the "Wright Area Leases"). Two of these leases play an integral role in the Company's development of its flagship North Antelope Rochelle Mine. In the Action, the Environmental Groups allege that BLM's environmental review of the Wright Area Leases violated the National Environmental Policy Act. Among other things, the Environmental Groups sought: (i) to have vacated the Environmental Impact Statement and several Records of Decision issued by BLM, as well as any lease sales, issuances or other actions conducted thereunder; and (ii) an injunction against further BLM approvals or actions with respect to the Wright Area Lease parcels, and any coal mining activities conducted thereon, until such time as BLM has complied with applicable federal law. An affiliate of the Debtors intervened in 2013. On August 17, 2015, the District Court entered an Opinion and Order Affirming Agency Actions in the Action, whereby the actions of BLM were affirmed, and whereby the Petition for Review of Agency Action was denied. A judgment in favor of the BLM and the Company, and against the Environmental Groups, was entered in the Action on the same date (the "Judgment"). The Environmental Groups filed notices of appeal of the Judgment in the Action, and as of the Petition Date, the Action was pending on appeal (the "Appeal") before the Tenth Circuit Court of Appeals (the "10th Circuit"). The 10th Circuit Appeal is still pending. Both the BLM and the Company have asserted numerous defenses in the matter.*

G. Schedules

Consistent with certain of the first-day relief that the Bankruptcy Court granted the Debtors, on June 13, 2016, the Debtors filed their Schedules in each of the Chapter 11 Cases. On August 19, 2016, the Debtors filed certain amendments to the Schedules.

H. Claims Process and Bar Date

By an order entered on June 16, 2016 (the "Bar Date Order"), the Bankruptcy Court established the general deadline (the "General Bar Date") and certain other deadlines (collectively with the General Bar Date, the "Bar Dates") and other procedures for filing proof of claims in the Chapter 11 Cases that provided, as follows:

- all entities (except for governmental units) that assert a claim against a Debtor that arose or is deemed to have arisen prior to the Petition Date must have filed a proof of claim on or before the General Bar Date, which was 11:59 p.m., prevailing Central Time, on August 19, 2016;
- a governmental unit that asserts a claim against a Debtor that arose or is deemed to have arisen prior to the Petition Date must have filed a proof of claim on or before 11:59 p.m., prevailing Central Time, on October 11, 2016 (the "Governmental Bar Date");

- any entity asserting claims arising from or relating to the rejection of executory contracts or unexpired leases in the applicable Debtor's Chapter 11 Case, or claims otherwise related to such rejected agreements, must have filed proofs of claim by the later of: (1) the General Bar Date or Governmental Bar Date (as applicable) and (2) 11:59 p.m., prevailing Central Time, on the date that is 30 days after the entry of a Court order authorizing such rejection or the deemed rejection date; and

- if a Debtor amends or supplements its Schedules after the claimant is served the Bar Date Notice Package (as defined below) to: (1) reduce the undisputed, noncontingent and liquidated amount of a claim; (2) change the nature or classification of a claim against the Debtor in a manner adverse to the scheduled creditor; or (3) add a new claim to the Schedules with respect to a party that was not previously served with notice of the Bar Dates, the affected claimant is required to file a proof of claim or amend any previously filed proof of claim in respect of the new or amended scheduled claim, by the later of: (a) the General Bar Date and (b) 11:59 p.m., prevailing Central Time, on the date that is 30 days after the date that notice of the applicable amendment to the Schedules is served on the claimant.

The Debtors provided notice of the Bar Dates as required by the Bar Date Order, including through publication once in the *St. Louis Dispatch* and in the national edition of *The Wall Street Journal* and *USA Today*, on June 22, 2016. In addition, packages (each, a "Bar Date Notice Package") including notice of the Bar Dates and one or more proof of claim forms, as approved by the Bankruptcy Court, have been mailed to all known potential claimants, including all entities listed in the Schedules as potentially holding claims.

As of December 15, 2016, the Debtors estimate that approximately 7214 proofs of claim have been filed in the Chapter 11 Cases to date, asserting liquidated liabilities in the total amount of approximately $17.3 billion.

The Debtors believe that they have valid objections to many of the Claims and, thus, the ultimate allowed amount of such Claims will be significantly less than the asserted amounts. On September 1, 2016, the Debtors filed a motion seeking to establish procedures for objecting to claims to allow the Debtors to make more widespread use of omnibus claims objections than otherwise provided for under the Bankruptcy Rules. The Bankruptcy Court granted the motion on September 15, 2016.

The Debtors have Filed or intend to File objections to Claims on a number of grounds, including, among others, that such Claims: (1) are duplicative of other Claims asserted against the Debtors; (2) were Filed after the applicable bar date; (3) have been amended and superseded by subsequently Filed Claims; (3) were Filed against the wrong Debtor; (4) were Filed with no support; (5) overstate the Debtors' liability; (6) do not represent a valid obligation of the Debtors; (7) were asserted with the improper priority statutes; or (8) have been satisfied.

1. Gold Fields Claims Objection

Gold Fields Mining, LLC ("Gold Fields") is a noncoal producing entity that was previously owned and managed by Hanson PLC, the Company's predecessor owner. In a February 1997 spin-off, Hanson PLC transferred ownership of Gold Fields to PEC despite the fact that Gold Fields had no ongoing operations and PEC had no prior involvement in the past operations of Gold Fields. Gold Fields is currently one of PEC's subsidiaries. As part of separate transactions, both PEC and Gold Fields also agreed to indemnify Blue Tee with respect to certain claims relating to the historical operations of a predecessor of Blue Tee, which is a former affiliate of Gold Fields and Hanson PLC. Neither PEC nor Gold Fields had any involvement with the past operations of the Blue Tee predecessor.

Pursuant to the indemnity, Blue Tee has tendered its environmental claims for remediation, past cost and future costs, and/or natural resource damages ("Blue Tee Liabilities") to Gold Fields. Although Gold Fields has paid remediation costs as a result of the indemnification obligations, Blue Tee has been identified as a potentially responsible party ("PRP") at six designated national priority list ("NPL") sites under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar statutes. Of

these sites where Blue Tee has been identified as a PRP, neither Gold Fields nor PEC is a party to any cleanup orders relating to the operations of Blue Tee's predecessor. In addition to the NPL sites, Blue Tee has been named a PRP at a minimum of twelve other sites, where Gold Fields has either paid remediation costs or settled the environmental claims on behalf of Blue Tee. As a result of filing the Chapter 11 Cases, Gold Fields has now stopped paying these remediation costs.

Environmental assessments for remediation, past and future costs, and/or natural resource damages also have been asserted by the U.S. Environmental Protection Agency (the "EPA") and natural resources trustees against Gold Fields related to historical activities of Gold Fields' predecessor. Gold Fields has been identified as a PRP at four NPL sites and has been conducting response actions or working with the EPA to resolve past cost recovery claims at these sites pursuant to cleanup orders or other negotiations. As a result of filing the Chapter 11 Cases, Gold Fields has ceased its response actions and other engagement with the EPA at these sites.

Prior to the General Bar Date, Blue Tee filed an unliquidated, general unsecured claim in the alleged estimated amount of $65.6 million (Claim No. 5549) against Debtor Gold Fields regarding the Blue Tee Liabilities, additional unliquidated claims in an unknown amount in excess of $150 million at known sites and further contingent claims at known and unknown sites, including alleged natural resources damages ("NRD") claims alleged, without explanation, to be in the range of $500 million. PEC and Gold Fields plan to contest these claims which they believe to significantly overstate any liabilities that may exist for remediation costs or potential NRDs.

Prior to the Governmental Bar Date, several governmental entities including the EPA, the Department of Interior and several States filed unliquidated, secured and general unsecured claims against PEC and Gold Fields. These claims total in excess of $2.7 billion and allege damages for past and future remediation costs as well as for alleged NRDs at several sites. As noted in the claims, many of the claims are duplicative as they overlap with each other as well as with claims made by Blue Tee. Additionally PEC and Gold Fields believe the claims significantly overstate any liabilities that may exist for remediation costs or potential NRDs and will contest these claims.

I. Interim Reclamation Bonding Settlements

The Debtors currently have mining operations with self-bonding coal mine reclamation liabilities in the Self-Bonding States – Illinois, Indiana, New Mexico and Wyoming. As of the Petition Date, the self-bonded amounts for each Self-Bonding State were approximately: Wyoming ($728 million); New Mexico ($181 million); Illinois ($92 million); and Indiana ($147 million). The Debtors' ability to self-bond reduces their costs of providing financial assurances to applicable government agencies for the Debtors' Coal Mine Reclamation Obligations. To the extent that the Debtors are unable to maintain their current level of self-bonding due to legislative or regulatory changes, changes in their financial condition or for any other reason, the Debtors may be required to obtain replacement financial assurances. Self-bonding is permitted at the discretion of each state with oversight from the OSMRE, in compliance with SMCRA. In order to qualify for self-bonding in Illinois, Indiana, New Mexico and Wyoming, the applicant must have been in continuous operation for at least five years and, among other things, show that:

i. The applicant has a current rating for its most recent bond issuance of "A" or higher as issued by either Moody's Investor Service or Standard and Poor's Corporation;

ii. The applicant has a tangible net worth of at least $10 million, a ratio of total liabilities to net worth of 2.5 times or less, and a ratio of current assets to current liabilities of 1.2 times or greater; or

iii. The applicant's fixed assets in the United States total at least $20 million, and the applicant has a ratio of total liabilities to net worth of 2.5 times or less, and a ratio of current assets to current liabilities of 1.2 times or greater.

See e.g., 30 CFR 800.23(b); 17 Ill. Admin. Code 1800.23(b) (Illinois); IC 14 34 7 4(d)(7) (Indiana); 020-040-11 Wyo. Code R. § 2(a)(vii).

The Debtors have historically demonstrated compliance in the Self-Bonding States. Shortly before the Petition Date, two organizations (together, the "Citizen Groups") filed separate citizen complaints with OSMRE and the relevant state regulatory authorities in Illinois and Indiana (filed by the Environmental Law and Policy Center), and Wyoming (filed by the Western Organization of Resource Councils). The citizen complaints alleged that the Debtors no longer qualified for self-bonding in those states because, among other reasons, the Debtors no longer met the statutory requirement that they demonstrate a "history of financial solvency," as required by 30 U.S.C. § 1259(c) and corresponding state statutes. Therefore, the Citizen Groups argued, the Debtors should be required to stop self-bonding and to provide adequate financial assurance, in the form of commercial surety bonds, within the required regulatory timeframe after demand was made by the relevant regulatory authorities. Thereafter, OSMRE issued notices to these states that required the alleged violation be corrected or for the state to explain why a violation does not exist. Each of the Self-Bonding States responded to OSMRE's notices stating that the applicable Debtor entities were in compliance with each state's relevant self-bonding requirements. None of the Self-Bonding States initiated any enforcement action against the applicable Debtors to enforce SMCRA's or the state's self-bonding requirements.

After the Petition Date, the Citizen Groups ~~(with the support of the United States Department of Justice, on behalf of OSMRE)~~ sought relief from the automatic stay to continue advocating their positions in the regulatory proceedings initiated by the Citizen Groups. The U.S. Department of Justice on behalf of OSMRE took the position that the automic stay did not apply. In July 2016, the Bankruptcy Court granted relief from the automatic stay, allowing the Citizen Groups to continue to advocate and provide amended complaints and additional information to the regulatory authorities in support of their position that the Debtors' current mining operations in Illinois, Indiana, and Wyoming, continued to violate applicable state and federal law due to inadequacy of their self-bonding regimens. The OSMRE subsequently issued new notices to Illinois, Indiana, and Wyoming, stating that based on the amended complaints by the Citizen Groups, OSMRE had reason to believe that those state agencies might be allowing the Debtors to violate applicable law by permitting the Debtors to continue extracting coal without sufficient reclamation bonding. All three states provided responses to OSMRE asserting that their actions were appropriate and that they had good cause to not take further enforcement action against the Debtors. The proceedings remain open.

The Debtors disagree with the position taken by the United States that any governmental action related to enforcement of financial assurance requirements applicable to the Debtors' ongoing coal mining operations would fall within the police and regulatory power exception in section 362(b)(4) of the Bankruptcy Code. The U.S. Department of Interior has reserved its rights with respect to whether any of the Self-Bonding Stipulations (as defined below) provide adequate compliance under SMCRA. The United States has taken the position that the administrative proceedings stemming from the Citizen Groups should be allowed to proceed at OSMRE. The United States has explicitly reserved the right to return to the Bankruptcy Court to seek appropriate relief based on the outcome of those proceedings.

Pursuant to the Final DIP Order, the Debtors obtained the consent of their First Lien Lenders and DIP Facility Lenders to provide a Bonding Carve Out as part of the Bonding Accommodation Facility. The purpose of this Bonding Carve Out is for the Debtors to be able to provide a Bonding Facility Letter of Credit and/or superpriority claim under the Bonding Accommodation Facility (the "Bonding Superpriority Claim") to the states that make a Bonding Request as additional financial assurances supporting the Debtors' self-bonded Coal Mine Reclamation Obligations.

Consistent with the terms of the Final DIP Order, the Debtors entered into interim settlements of the Bonding Requests issued by the applicable agencies of the Self-Bonding States, solely for the period during the pendency of the Chapter 11 Cases (the "Self-Bonding Stipulations").[~~67~~70] During the pendency of these Chapter

[~~67~~70] The United States of America, on behalf of the U.S. Department of the Interior, including the Office of Surface Mining Reclamation and Enforcement, filed a reservation of rights with respect to each of the Self-Bonding Stipulations.

f. **Certain Premiums, Fees and Expenses**

i. **Commitment Premiums; Ticking Premiums; Breakup Payments; Expense Reimbursements Generally**

Subject to the entry of the PPA and BCA Approval Order, the Commitment Premiums, the Ticking Premiums, if any, the Breakup Payments, if any, and the Expense Reimbursements shall be Allowed Administrative Expense Claims, subject to Section II.A.1.f.ii. of the Plan, without reduction or offset, in the full amount due and owing under the Private Placement Agreement and the Rights Offering Backstop Commitment Agreement, as applicable. On the Effective Date, if not previously satisfied in full in accordance with the terms of the Private Placement Agreement and/or the Rights Offering Backstop Commitment Agreement, as applicable, any outstanding Expense Reimbursements shall be paid in Cash and any outstanding Commitment Premiums and Ticking Premiums, if any, shall be paid in Reorganized PEC Common Stock in accordance with the Private Placement Agreement and the Rights Offering Backstop Commitment Agreement, as applicable.

ii. **Priority Regarding Payment of Breakup Payments**

The Breakup Payments shall be entitled to superpriority administrative expense priority junior to any superpriority claims granted under the Final DIP Order (including any adequate protection claims in respect of holders of First Lien Lender Claims or Second Lien Notes Claims) and any claims to which such superpriority claims are themselves junior (including the Bonding Carve Out (as defined in the Final DIP Order) and the Fee Carve Out (as defined in the Final DIP Order)), subject to the following:

A. In the event of a First Lien Full Cash Recovery under a plan or consummation of a plan that provides any combination of Cash and first lien notes (on terms no less favorable than the terms of the Replacement Secured First Lien Term Loan as set forth on Exhibit I.A.~~195~~196. to the Plan, including no greater amount of first lien notes than would be issued in accordance with Exhibit I.A.~~195~~196. to the Plan) that is equal to the Allowed amount of the First Lien Lender Claims, then such fees shall be paid in Cash on the Effective Date on such plan;

B. In the event the conditions set forth in subsection (A) do not occur, then the Breakup Payments and the Administrative Expense Claim on account of such Breakup Payments shall be payable on the Effective Date of such plan in second lien notes with a face amount equal to the amount of the fees which are on terms consistent with the terms of the New Second Lien Notes; provided that, (1) such New Second Lien Notes shall be subordinated to any debt received by Class 1 as a Distribution on substantially the same terms as the existing Intercreditor Agreement governing the First Lien Lender Claims and Second Lien Notes Claims, and (2) to the extent Class 2 shall receive any New Second Lien Notes, the second lien notes shall be subordinated in a chapter 11 or liquidation to such Class 2 holder's New Second Lien Notes.

iii. **Other Provisions Regarding Certain Fees and Expenses**

Subject to (a) the entry of the PPA and BCA Approval Order and (b) receipt of documentation reasonably acceptable to the Debtors, the Debtors shall pay or reimburse the reasonable, documented out-of-pocket fees and expenses, earned and accrued in connection with the Debtors' Chapter 11 Cases after the Petition Date up until the occurrence of any Termination Event (as defined in the Private Placement Agreement and Rights Offering Backstop Commitment Agreement), of the following entities: (i) the Noteholder Co-Proponents; (ii) the Second Lien Notes Indenture Trustee; and (iii) the Unsecured Senior Notes Indenture

Class(es)	Designation	Impairment	Entitled to Vote
4A – 4E	Other Priority Claims	Unimpaired	Deemed to Accept
5A – 5E	General Unsecured Claims	Impaired	Entitled to Vote / Deemed to Reject (Gib 1)
6A – 6B	Convenience Claims	Impaired	Entitled to Vote
7A – 7E	MEPP Claim	Impaired	Entitled to Vote
8A	Unsecured Subordinated Debenture Claims	Impaired	Entitled ~~t o~~to Vote
9A – 9E	Intercompany Claims	Unimpaired	Deemed to Accept
10A	Section 510(b) Claims	Impaired	Deemed to Reject
11A	PEC Interests	Impaired	Deemed to Reject
12B – 12E	Subsidiary Debtor Interests	Unimpaired	Deemed to Accept

3. Classified Claims

a. **First Lien Lender Claims (Classes 1A through 1D)**

i. **Classification:** Classes 1A, 1B, 1C and 1D consist of all First Lien Lender Claims.

ii. **Allowance:** The First Lien Lender Claims shall be Allowed in an amount to be agreed between the Debtors and the Requisite First Lien Lender Co-Proponents or determined by the Bankruptcy Court at the Confirmation Hearing, which amount shall include accrued and unpaid interest at the default rate, except for claims under Swap Contracts (as defined in the First Lien Credit Agreement), which shall be Allowed at the asserted termination amounts thereunder and for which interest shall be allowed at the contractual rate thereunder.

iii. **Treatment:** On or as soon as practicable after the Effective Date, each holder of an Allowed First Lien Lender Claim in Classes 1A, 1B, 1C and 1D will receive its aggregate Pro Rata share of:

A. Cash equal to the full amount of the Allowed First Lien Lender Claims, including interest at the default rate; or

B. Solely to the extent that the Debtors have not received commitments for the Exit Facility prior to the Effective Date in the aggregate principal amount of at least $1.5 billion, and subject to the conditions set forth on Exhibit I.A.~~195~~196. to the Plan and in Section IV.D. of the Plan, each holder's Pro Rata share of (1) the Replacement Secured First Lien Term Loan on the terms and conditions set forth on Exhibit I.A.195. and in Section IV.D. of the Plan in an aggregate principal amount of up to $1.5 billion, such principal amount to be calculated as set forth on Exhibit I.A.~~195~~196. to the Plan; plus (2) Cash in an amount equal to the difference between (a) the Allowed First Lien Lender Claims, including interest at the default

rate and (b) the aggregate principal amount of the Replacement Secured First Lien Term Loan received pursuant to subsection (1) of Section II.B.2.a.iii.B. of the Plan.

iv. Voting: Classes 1A, 1B, 1C and 1D are Impaired. Holders of Claims in Classes 1A, 1B, 1C and 1D are entitled to vote to accept or reject the Plan.

b. **Second Lien Notes Claims (Classes 2A through 2D)**

i. **Classification:** Classes 2A, 2B, 2C and 2D consist of all Second Lien Notes Claims.

ii. **Allowance:** The Second Lien Notes Claims will be allowed in the amount of $1.158 billion, subject to increase if the Effective Date occurs after April 3, 2017.[~~68~~71]

iii. **Treatment:** On or as soon as practicable after the Effective Date,[~~69~~72] each holder of an Allowed Second Lien Notes Claim in Classes 2A, 2B, 2C and 2D shall receive:

A. At the option of the Debtors in their sole discretion, provided, in the case of (1) or (2) of Section II.B.2.b.iii.A. of the Plan, the First Lien Full Cash Recovery occurs, its aggregate Pro Rata share of $450 million (calculated as the amount of any such Cash and the principal amount of any Additional First Lien Debt and New Second Lien Notes, excluding any consideration on account of Incremental Second Lien Notes Claims) in any combination of (1) Cash, (2) principal amount of Additional First Lien Debt and/or (3) principal amount of New Second Lien Notes; provided, however, that in no event shall the aggregate principal amount of New Second Lien Notes (plus, if applicable, the principal amount of any Incremental New Second Lien Notes) issued on the Effective Date be less than $250 million; provided, further, that in no event shall the combined consideration issued under Section II.B.2.b.iii.A. of the Plan (calculated as the amount of any such Cash and the principal amount of any such Additional First Lien Debt and New Second Lien Notes, excluding any consideration on account of Incremental Second Lien Notes Claims) exceed $450 million in the aggregate;

B. Its Pro Rata share of the Pro Rata Split as of the Effective Date of Reorganized PEC Common Stock (which shall be (1) subject to the

[~~68~~71] The Second Lien Notes Claims shall be allowed in the amount of $1.0 billion, plus accrued and unpaid prepetition interest and postpetition interest at the non-default rate, accruing through and until the Effective Date. The total estimated amount of Second Lien Notes Claims is $1.158 billion, assuming an April 3, 2017 Effective Date. The Secured Second Lien Notes Claims shall continue to accrue interest at the non-default rate if the Effective Date extends beyond April 3, 2017. As part of the Global Settlement set forth herein, upon the Effective Date (subject to its occurrence), the value of any and all collateral securing the Second Lien Notes Claims (including, but not limited to, any and all collateral granted to holders of Second Lien Notes as adequate protection or otherwise pursuant to the Final DIP Order) shall be deemed to exceed the total estimated amount of Second Lien Notes Claims (including accrued and unpaid pre-petition and post-petition interest at the non-default rate), and the Second Lien Notes Claims shall be treated in accordance with the terms set forth herein.

[~~69~~72] Upon the Effective Date (subject to its occurrence), the value of any and all collateral securing the Second Lien Notes Claims (including, but not limited to, any and all collateral granted to holders of Second Lien Notes as adequate protection or otherwise pursuant to the DIP Order) shall be deemed to exceed the total estimated amount of Second Lien Notes Claims (including accrued and unpaid prepetition and postpetition interest at the non-default rate), and the Second Lien Notes Claims shall be treated accordingly.

A. each holder of an Allowed General Unsecured Claim in Class 5A against PEC will receive its Pro Rata share of $5 million plus any Additional PEC Cash;

B. each holder of an Allowed General Unsecured Claim in Class 5B against one of the Encumbered Guarantor Debtors will each holder's Pro Rata share of:

1. the Pro Rata Split as of the Effective Date of the Reorganized PEC Common Stock (which shall be (x) subject to the dilution from the LTIP Shares, the Preferred Equity and the Penny Warrants and (y) issued after giving effect to the issuance of the Rights Offering Shares, the issuance of any Incremental Second Lien Shares, the issuance of any Premium Shares, the issuance of any Rights Offering Disputed Claims Reserve Shares and the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred Equity and exercise of Penny Warrants); and

2. the Pro Rata Split as of the Rights Offering Record Date of the Rights Offering Equity Rights; provided, however, that any holder of a General Unsecured Claim against one of the Encumbered Guarantor Debtors that is not Allowed as of the Rights Offering Record Date shall not participate in the Rights Offering, and instead, if and when such holder's Claim becomes Allowed, shall receive an amount of Rights Offering Disputed Claims Reserve Shares with a value equal to such holder's pro rata share of the Rights Offering Equity Rights Value; provided, however, that, in lieu of the above treatment, each holder of a General Unsecured Claim in Class 5B that receives a Ballot shall have the right to elect to receive such holder's Pro Rata share with other electing holders of the Class 5B Cash Pool; provided, further, that any holder of a General Unsecured Claim against one of the Encumbered Guarantor Debtors that does not receive a Ballot but whose Claim becomes Allowed shall have the right to elect into the Class 5B Cash Pool upon allowance of such Claims; provided, further, however, that no holder of an Allowed General Unsecured Claim in Class 5 that elects to receive Distributions from the Class 5B Cash Pool shall be entitled to receive more than a 50% recovery on account of their Alowed Claims in Class 5B.

i. **Classification**: Classes 7A, 7B, 7C, 7D and 7E consist of the MEPP Claim asserted against each Debtor

ii. **Allowance:** The MEPP Claim shall be allowed in the amount of $75 million.

~~ii~~iii. **Treatment:** Subject to and in accordance with the terms of the MEPP Settlement, on or as soon as practicable after the Effective Date, unless otherwise agreed by the holder of the MEPP Claim and the applicable Debtor or Reorganized Debtor, the holder of the MEPP Claim shall receive $75 million in Cash paid over ~~four~~five years as follows: (A) $5 million paid on the Effective Date; (B) $10 million paid 90 days after the Effective Date; (C) $15 million paid one year after the previous payment; (D) $15 million paid one year after the previous payment; (E) $15 million paid one year after the previous payment; and (F) $15 million paid one year after the previous payment.

~~iii~~iv. **Voting**: Classes 7A, 7B, 7C, 7D and 7E are Impaired. Holders of Claims in Classes 7A, 7B, 7C, 7D and 7E are entitled to vote to accept or reject the Plan.

h. **Unsecured Subordinated Debenture Claims (Class 8A)**

i. **Classification:** Class 8A consists of all Unsecured Subordinated Debenture Claims against PEC.

ii. **Treatment:** The following transfers shall be made:

A. The Debtors shall transfer to the 2066 Subordinated Indenture Trustee an amount of Cash equal to the reasonable and documented fees and expenses of the 2066 Subordinated Indenture Trustee under the 2066 Subordinated Indenture outstanding as of the Effective Date (as to which it is anticipated that the 2066 Subordinated Indenture Trustee will exercise its contractual lien rights); provided, however, that such Cash transferred to the 2066 Subordinated Indenture Trustee shall not exceed $350,000; and

B. Solely in the event Class 8A votes in favor of the Plan and in connection with the settlement of certain potential intercreditor disputes as part of the global settlement embodied herein, and only if the 2066 Subordinated Indenture Trustee does not object to, and affirmatively supports, the Plan, holders of Allowed Unsecured Subordinated Debenture Claims shall receive from the Noteholder Co-Proponents their Pro Rata share of the Unsecured Subordinated Debenture Penny Warrants from the pool of Penny Warrants issued to the Noteholder Co-Proponents under the terms of the Private Placement Agreement; provided, however, that for the avoidance of doubt, the Debtors shall not make any Distributions to holders of Allowed Unsecured Subordinated Debenture Claims.

iii. **Voting**: Class 8A is Impaired. Holders of Claims in Class 8A are entitled to vote to accept or reject the Plan.

i. **Intercompany Claims (Classes 9A through 9E)**

- the Debtors, c/o Peabody Energy Corporate Headquarters, 701 Market Street, St. Louis, Missouri 63101-1826 (Attn: Scott T. Jarboe, Esq.);

- counsel to the Debtors, (1) Jones Day, North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114 (Attn: Heather Lennox, Esq.), (2) Jones Day, 51 Louisiana Avenue, N.W., Washington, D.C. 20002-2113 (Attn: Amy Edgy, Esq. and Daniel T. Moss, Esq.) and (3) Armstrong Teasdale LLP, 7700 Forsyth Boulevard, Suite 1800, St. Louis, Missouri 63105 (Attn: Steven N. Cousins, Esq. and Susan K. Ehlers, Esq.);

- the Office of the United States Trustee, 111 South 10th Street, Suite 6.353, St. Louis, Missouri 63102 (Attn: Paul Randolph, Esq. and Leonora S. Long, Esq.);

- counsel to the Creditors' Committee, (1) Morrison & Foerster, 250 West 55th Street, New York, New York 10019 (Attn: Lorenzo Marinuzzi, Esq., Jonathan I. Levine, Esq., Jennifer L. Marines, Esq., Melissa A. Hager, Esq. and Daniel J. Harris, Esq.) and (2) Spencer Fane LLP, 1 N. Brentwood Blvd., Suite 1000, St. Louis, Missouri 63105 (Attn: Sherry K. Dreisewerd, Esq., Eric C. Peterson, Esq., Scott J. Goldstein, Esq., Lisa A. Epps, Esq. and Andrea M. Chase, Esq.);

- counsel to Citibank, N.A. as First Lien Agent, (1) Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017 (Attn: Damian S. Schaible, Esq., Angela M. Libby, Esq., Darren Klein, Esq., and Benjamin Kaminetzy, Esq.) and (2) Bryan Cave LLP, 211 North Broadway, Suite 3600, St. Louis, Missouri 63102 (Attn: Lloyd A. Palans, Esq.);

- counsel to Wilmington Savings Fund Society, FSB as Second Lien Notes Indenture Trustee, Brown Rudnick LLP, Seven Times Square, 47th Floor, New York, New York 10036 (Attn: Howard Steel, Esq.); Desai Eggman Mason LLC (Attn: Spencer P. Desai, Esq., Danielle Suberi, Esq. and Thomas H. Riske, Esq.);

- counsel to Wilmington Trust Company as Indenture Trustee for the Unsecured Senior Notes, (1) Foley & Lardner LLP, 90 Park Avenue, New York, New York 10016 (Attn: Douglas E. Spelfogel, Esq. and Richard J. Bernard, Esq). and (2) Foley & Lardner LLP, 321 North Clark St., Chicago IL 60654 (Attn: Mark L. Prager, Esq.);

- counsel to certain members of the *Ad Hoc* Group of Second Lien Noteholders, (1) Skadden, Arps, Slate, Meagher & Flom LLP (Attn: Jay M. Goffman, Esq. and Shana A. Elberg, Esq.), (2) Stinson Leonard Street LLP (Attn: John G. Young, Jr.) and (3) Woods, Fuller, Shultz & Smith, P.S. (Attn: Jordan J. Feist); and

- counsel to certain members of the *Ad Hoc* Group of Unsecured Senior Noteholders, (1) Kramer Levin Naftalis & Frankel LLP (Attn: Kenneth H. Eckstein, Esq., Andrew M. Dove, Esq. and Stephen D. Zide, Esq.), (2) Kirkland & Ellis LLP (Attn: Stephen E. Hessler, Esq. and Melissa N. Koss, Esq.) and (3) Doster, Ullom & Boyle, LLC (Attn: Gregory D. Willard, Esq., John G. Boyle, Esq. and Alec L. Moen, Esq.).

C. Requirements for Confirmation of the Plan

Among the requirements for Confirmation of the Plan are that the Plan (1) is accepted by all impaired Classes of Claims and Interests or, (2) if rejected by an impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (a) is feasible and (b) is in the "best interests" of creditors and stockholders that are impaired under the Plan.

2. Best Interests of Creditors

Section 1129(a)(7) of the Bankruptcy Code requires that any holder of an impaired claim or interest voting against a proposed plan of reorganization must be provided in the plan with a value, as of the effective date of the plan, at least equal to the value that the holder would receive if the debtor's assets were liquidated under chapter 7 of the Bankruptcy Code. To determine what the holders of Claims and Interests in each impaired Class would receive if the Debtors' assets were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from a liquidation of the Debtors' assets in the context of a hypothetical liquidation. Such a determination must take into account the fact that secured claims, and any administrative claims resulting from the original chapter 11 cases and from the chapter 7 cases, would have to be paid in full from the liquidation proceeds before the balance of those proceeds were made available to pay unsecured creditors and make distributions (if any) to holders of claims and interests.

In support of the Debtors' belief that the holders of Claims and Interests in each impaired Class will receive at least as much under the Plan than if the Debtors' assets were liquidated, the Debtors with the assistance of professionals of the Debtors have prepared a liquidation analysis (the "Liquidation Analysis"), which was filed with the Court as Exhibit B to this Disclosure Statement on January 16, 2017. The Liquidation Analysis assumes that the Chapter 11 Cases were converted to chapter 7 cases and each Debtor's assets were liquidated under the direction of a chapter 7 trustee. THIS LIQUIDATION ANALYSIS HAS BEEN PREPARED SOLELY FOR USE IN THIS DISCLOSURE STATEMENT AND DOES NOT REPRESENT VALUES THAT ARE APPROPRIATE FOR ANY OTHER PURPOSE. NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION BY, OR ADMISSION OF, ANY DEBTOR FOR ANY PURPOSE. The assumptions used in developing the Liquidation Analysis are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Debtors or a chapter 7 trustee. Accordingly, there can be no assurances that the values assumed in the Liquidation Analysis would be realized if the Debtors were actually liquidated. In addition, any liquidation would take place in the future, at which time circumstances may exist that cannot presently be predicted. A description of the procedures followed and the assumptions and qualifications made by the Debtors in connection with the Liquidation Analysis are set forth in the notes thereto.

3. Feasibility

In connection with Confirmation of the Plan, the Bankruptcy Court must determine that the Plan is feasible in accordance with section 1129(a)(11) of the Bankruptcy Code (which section requires that the Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors). The Debtors believe that the Reorganized Debtors will be able to perform their obligations under the Plan and continue to operate their businesses without further financial reorganization or liquidation.

To support the Debtors' belief that the Plan is feasible, the Debtors have prepared the projections ~~for the Reorganized Debtors and~~ for the Reorganized Debtors and all their subsidiaries and affiliates, including their Australian Mining Operations (the "New Company"), as set forth in Exhibit C to this Disclosure Statement**,** and discussed in greater detail in Section X below.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE FINANCIAL ACCOUNTING STANDARDS BOARD, OR THE RULES AND REGULATIONS OF THE SEC. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED, REVIEWED OR SUBJECTED TO ANY PROCEDURES DESIGNED TO PROVIDE ANY LEVEL OF ASSURANCE BY THE DEBTORS' INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS. ALTHOUGH PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS, WHICH, ALTHOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER

Lien Term Loan plus (B) Cash in an amount equal to the difference between such holder's Allowed Secured First Lien Lender Claims and the aggregate principal amount of the Replacement Secured First Lien Term Loan; and (ii) 95% in amount of the Second Lien Noteholders support the Plan. To the extent any of Classes 1A – 1D or 2A – 2D vote to reject the Plan, the Debtors reserve the right to argue that the treatment of such Classes complies with section 1129(b)(2)(A) of the Bankruptcy Code.

The Debtors believe that the Plan is fair and equitable as to holders of Unsecured Claims in Classes 5A - 5E and 6A – 6B since the Plan provides that no junior creditor to the Unsecured Claims in such Classes will receive any Distribution under the Plan.

The Debtors believe that the Plan is fair and equitable as to holders of Interests because the Plan provides that no junior interest to the Interests in Class 10A will receive any Distribution under the Plan.

b. **Unfair Discrimination**

A plan of reorganization does not "discriminate unfairly" if a dissenting class is treated substantially similarly with respect to other similarly situated classes, and no class receives more than it is legally entitled to receive for its claims or interests. The Debtors carefully designed the Plan, to ensure recoveries on account of Claims in a particular Class against each of the Debtors did not result in unfair discrimination among similarly situated Classes. Therefore, the Debtors do not believe that the Plan discriminates unfairly against any impaired Class of Claims or Interests.

The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for "cramdown," or non-consensual Confirmation of the Plan, pursuant to section 1129(b) of the Bankruptcy Code.

D. Conditions Precedent to Confirmation of the Plan

The following conditions are conditions to the entry of the Confirmation Order unless such conditions, or any of them, have been satisfied or duly waived pursuant to Section V.C. of the Plan:

- The Bankruptcy Court shall have entered an order, in form and substance acceptable to the Debtors, subject to the Credit Approval Rights (as applicable), approving the adequacy of the Disclosure Statement.
- All Confirmation Exhibits shall be in form and substance acceptable to the Debtors, subject to the Creditor Approval Rights (as applicable).
- The Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors, subject to the Creditor Approval Rights (as applicable).
- The PSA shall not have been terminated.
- All of the schedules, documents, supplements and exhibits to the Plan shall be in substantially in form and substance as required by the PSA.
- The Rights Offering Backstop Commitment Agreement shall not have been terminated.
- The Plan shall not have been materially amended, altered or modified from the Plan as Filed dated as of December 22, 2016, unless such material amendment, alteration or modification has been made in accordance with Section X.A. of the Plan.

amendment, alteration or modification has been made in accordance with Section X.A. of the Plan.

F. Waiver of Conditions to Confirmation or the Effective Date

Each condition to Confirmation set forth in Section V.A. of the Plan and each condition to the Effective Date set forth in Section V.B. of the Plan may be waived in whole or in part at any time by the Debtors, subject to the Creditor Approval Rights (as applicable), without an order of the Bankruptcy Court; provided, however, that, for the avoidance of doubt, the ~~Effective Date condition relating to the Bonding Solution shall not be subject to creditor approval. Also, for the avoidance of any doubt, no parties (aside from the Debtors) shall have consent or approval rights relating to any such Bonding Solution. For the avoidance of any further doubt, the Debtors' ability to waive the condition relating to the Bonding Solution is not intended to waive the Debtors' obligations to comply with their Coal Mine Reclamation Obligations under applicable state and federal laws.~~Debtors will not waive their obligation to have a Bonding Solution as of the Effective Date.

G. Effect of Nonoccurrence of Conditions to the Effective Date

If each of the conditions to the Effective Date is not satisfied, or duly waived in accordance with Section V.C. of the Plan, then, before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the Debtors may File a motion requesting that the Bankruptcy Court vacate the Confirmation Order; provided, however, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is satisfied before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to Section V.D. of the Plan: (1) the Plan will be null and void in all respects, including with respect to (a) the discharge of Claims and termination of Interests pursuant to section 1141 of the Bankruptcy Code, (b) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Article III of the Plan and (c) the releases described in Section V.E.4. of the Plan~~,~~ and (2) nothing contained in the Plan, nor any action taken or not taken by the Debtors with respect to the Plan, the Disclosure Statement or the Confirmation Order, will be or will be deemed to be (~~1~~a) a waiver or release of any Claims by or against, or any Interest in, any Debtor, (~~2~~b) an admission of any sort by the Debtors or any other party in interest or (~~3~~c) prejudicial in any manner to the rights of the Debtors or any other party in interest.

H. Effect of Confirmation of the Plan

1. Comprehensive Settlement of Claims and Controversies

Pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided under the Plan, the provisions of the Plan, including the releases set forth in Section V.E.4. of the Plan, will constitute an integrated, good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim or Interest may have with respect to any Allowed Claim or Allowed Interest or any Distribution to be made pursuant to the Plan on account of any Allowed Claim or Allowed Interest. Such compromises and settlements include, but are not limited to, the compromise and settlement of all disputes between the Debtors, the Creditor Co-Proponents and the Creditors' Committee. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements, are (a) in the best interests of the Debtors, the Reorganized Debtors, the Estates and their respective property and Claim and Interest holders; (b) the result of good faith, arms-length negotiations among the parties; and (c) fair, equitable and reasonable. Without limiting the foregoing in any respect, the claims and controversies compromised and settled pursuant to this Plan include: (a) the CNTA Dispute; (b) the Creditors' Committee Alleged Causes of Action; (c) all of the Debtors' preference actions under section 547 of the Bankruptcy Code; (d) the reconciliation, recognition and treatment of Intercompany Claims; and (e) resolution of the MEPP Claim. Accordingly, on the Effective Date, (a) the CNTA Dispute shall be deemed resolved, (b) the CNTA Dispute Adversary Proceeding shall be dismissed with prejudice; (c) the Creditors' Committee Alleged Causes of Action shall be deemed released; (d) all of the Debtors' preference actions under section 547 of the Bankruptcy Code shall be deemed released; (e) the Intercompany Claims shall be treated as set forth in Section II.B.2.i. of the Plan; and (f) the MEPP Claim shall

be deemed resolved and the United Mine Workers of America 1974 Pension Plan shall be released from the Debtors and all of their non-Debtor Affiliates from any cause of action regarding the MEPP Claim and withdrawal liability under U.S.C. § 1392(c). The settlements and releases contained within the Plan, including, without limitation, the settlements and releases described in this paragraph, are fully integrated with, and inseparable from, the other provisions of the Plan.

2. Discharge of Claims and Termination of Interests

a. **Complete Satisfaction, Discharge and Release**

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims (other than Intercompany Claims, except to the extent provided in the Restructuring Transactions) and termination of all Interests (other than Subsidiary Debtor Interests) arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date and consistent with Exhibit IV.~~E~~F.1. to the Plan: (i) discharge the Debtors from all Claims or other Liabilities that arose on or before the Effective Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (I) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (II) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (~~I~~III) the holder of a Claim based on such debt has accepted the Plan; and (ii) terminate all Interests and other rights of holders of Interests in the Debtors other than Subsidiary Debtor Interests.

b. **Discharge and Termination**

In accordance with Section V.E.2.a. of the Plan, except as provided in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date and consistent with Exhibit IV.~~E~~F.1. to the Plan, of a discharge of all Claims and other debts and Liabilities against the Debtors and a termination of all Interests and other rights of the holders of Interests in the Debtors (other than Subsidiary Debtor Interests), pursuant to sections 524(a)(1), 524(a)(2) and 1141(d) of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtors or Reorganized Debtors at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

3. Injunction

On the Effective Date, except as otherwise provided in the Plan or in the Confirmation Order:

a. All Persons who have been, are or may be holders of (i) Claims or (ii) Interests, shall be enjoined from taking any of the following actions against or affecting the Debtors, their Estates or assets or the Reorganized Debtors, or the respective assets or property thereof, with respect to such Claims or Interests (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order):

i. **commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the Debtors, their Estates or Assets or the Reorganized Debtors, or the respective assets or property thereof;**

ii. **enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the Debtors, their Estates or Assets or the Reorganized Debtors, or the respective assets or property thereof;**

subject to the terms and conditions set forth in the Plan and the Rights Offering Procedures, shall have the opportunity, pursuant to the Rights Offering Procedures, to purchase the Rights Offering Shares, which consist of (a) shares of Reorganized PEC Common Stock and (b) the Rights Offering Penny Warrants. The purchase price for the Rights Offering Shares will be equal to 55% of the Plan Equity Value of the shares of Reorganized PEC Common Stock that are issued in connection with the exercise of the Rights Offering Equity Rights.

After consultation with counsel and the Noteholder Steering Committee, the Debtors may decrease the number of Rights Offering Equity Rights distributed to holders of Second Lien Notes Claims, Unsecured Senior Notes Claims and General Unsecured Claims in Class 5B as required or instructed by the Bankruptcy Court or the SEC, in each case to allow the Rights Offering to be exempt from registration under the Securities Act pursuant to section 1145 of the Bankruptcy Code; provided, however, that (a) in no event shall such decrease in the number of Rights Offering Equity Rights result in a decrease of the aggregate purchase price for all Rights Offering Shares offered in the Rights Offering below $650 million and (b) in no event shall the price per unit to be paid in the Rights Offering be subject to increase or decrease in connection with such decrease in the number of Rights Offering Equity Rights. In this event, any amounts excluded shall instead be purchased directly by the Rights Offering Backstop Parties pursuant to the Rights Offering Backstop Commitment Agreement.

2. The Rights Offering Backstop Commitment Agreement

The Rights Offering will be 100% backstopped by the Rights Offering Backstop Parties in accordance with the terms and conditions of the Rights Offering Backstop Commitment Agreement. Subject to and in accordance with the Rights Offering Backstop Commitment Agreement, as consideration for the Rights Offering Backstop Parties' obligations, the Rights Offering Backstop Parties shall receive (a) the Rights Offering Backstop Commitment Premium, which will be payable on the Effective Date in Reorganized PEC Common Stock at Plan Equity Value and (b) the Rights Offering Backstop Ticking Premium, which shall be fully earned and nonrefundable as accrued through the Effective Date and will be payable on the Effective Date in Reorganized PEC Common Stock at Plan Equity Value. In addition, the Noteholder Co-Proponents shall receive fifty percent (50%) of the Penny Warrants.

The Reorganized PEC Common Stock issued in connection with the Rights Offering Backstop Commitment Premium shall be issued after giving effect to the reservation and deemed issuance of shares of Reorganized PEC Common Stock for issuance upon the conversion of the Preferred Equity and the exercise of the Penny Warrants, but subject to dilution by the LTIP Shares and any post-Effective Date issuances of capital stock, including pursuant to any dividend or make-whole provision described in Exhibit I.A.~~173~~174. to the Plan.

3. The Private Placement

On the Effective Date, the Debtors shall consummate the Private Placement pursuant to the Private Placement Agreement and Private Placement Documents. Pursuant to the Private Placement, the Private Placement Parties shall be obligated to purchase $750 million in the aggregate of Preferred Equity on the terms and conditions set forth in the Private Placement Agreement. Subject to and in accordance with the Private Placement Agreement, as consideration for the Private Placement Parties' obligations under the Private Placement Agreement, the Private Placement Parties shall receive (a) the Private Placement Commitment Premium, which will be payable on the Effective Date in Reorganized PEC Common Stock at Plan Equity Value and (b) the Private Placement Ticking Premium, if any, which shall be fully earned and nonrefundable as accrued through the Effective Date and will be payable on the Effective Date in Reorganized PEC Common Stock at Plan Equity Value.

The Reorganized PEC Common Stock issued in connection with the Private Placement Commitment Premium shall be issued after giving effect to the reservation and deemed issuance of shares of Reorganized PEC Common Stock issuable upon the conversion of the Preferred Equity and the exercise of the Penny Warrants, but subject to dilution by the LTIP Shares and any post-Effective Date issuances of capital stock, including pursuant to any dividend or make-whole provision described in Exhibit I.A.~~173~~174. to the Plan.

For the avoidance of doubt, any Preferred Equity purchased by the Private Placement Parties in the Private Placement pursuant to the Private Placement Agreement shall be solely on account of the new money provided in the Private Placement and not on account of any purchaser's Second Lien Notes Claims or Unsecured Senior Notes Claims.

Solely in the event Class 8A votes in favor of the Plan, and only if the 2066 Subordinated Indenture Trustee does not object to the Plan, and affirmatively supports, the Noteholder Co-Proponents shall transfer the Unsecured Subordinated Debenture Penny Warrants to the 2066 Subordinated Indenture Trustee for the distribution of such Unsecured Subordinated Debenture Penny Warrants to holders of Unsecured Subordinated Debenture Claims on a Pro Rata basis.

C. Reorganized PEC Common Stock; Rights Offering Equity Rights; Penny Warrants; Preferred Equity; LTIP Shares

1. Issuance and Distribution of Reorganized PEC Common Stock, Rights Offering Equity Rights, Penny Warrants, Preferred Equity and LTIP Shares

On the Effective Date, [_____] shares of Reorganized PEC Common Stock shall be authorized, and Reorganized PEC shall issue **[71,836,154]** shares of Reorganized PEC Common Stock pursuant to the Plan, including (a) the initial distribution of Reorganized PEC Common Stock to holders of Allowed Claims in Classes 2A, 2B, 2C, 2D and 5B and (b) the Reorganized PEC Common Stock issued in connection with the Rights Offering, the Private Placement Commitment Premium, the Private Placement Ticking Premium, if any, the Rights Offering Backstop Commitment Premium, the Rights Offering Backstop Ticking Premium, if any, the Rights Offering Disputed Claims Reserve Shares and the Incremental Second Lien Shares, if any. On the Effective Date, the Debtors will also issue the Rights Offering Equity Rights and the Penny Warrants. Such Reorganized PEC Common Stock, Rights Offering Equity Rights and Penny Warrants, when issued or distributed as provided in the Plan, will be duly authorized, validly issued and fully paid and nonassessable.

On the Effective Date, [_____] shares of Preferred Equity, shall be authorized, and Reorganized PEC shall issue up to **[30,000,000]** shares of Preferred Equity pursuant to the Plan in connection with the Private Placement. Such Preferred Equity, when issued or distributed as provided in the Plan, will be duly authorized, validly issued and fully paid and nonassessable.

On and after the Effective Date, Reorganized PEC will sponsor a long-term incentive plan (the "LTIP"). The LTIP will provide for a pool of 10% of the fully diluted equity (after giving effect to the exercise of the Penny Warrants and the conversion of the Preferred Equity) of Reorganized PEC (the "LTIP Pool"). 25.8% of the LTIP Pool will be granted to employees and executives on the Effective Date in the form of restricted Reorganized PEC Common Stock (or units) ("Emergence Awards"). Emergence Awards will be allocated and approved by the Compensation Committee of the Board of Directors of PEC, with 45.88% of the Emergence Awards being allocated to the ELT. Of the 25.8% of the Emergence Pool, the Emergence Awards will be allocated to the six most senior executives as follows: G. Kellow (18.75%), C. Meintjes (6.25%), K. Williamson (6.25%), A. Schwetz (6.50%), V. Dorch (4.38%) and B. Galli (3.75%). The remaining portion of the Emergence Pool will be available for the Reorganized Debtors' broad-based employee population. Emergence Awards granted to employees at the level of Director and above generally will vest ratably on each of the first three anniversaries of the Effective Date if the employee remains employed with Reorganized PEC and its subsidiaries on each applicable vesting date. Emergence Awards granted to employees below the level of Director generally will vest ratably on each of the first two anniversaries of the Effective Date if the employee remains employed with Reorganized PEC and its subsidiaries on each applicable vesting date. The remaining portion of the LTIP Pool will be allocated by and have terms and conditions approved by the Compensation Committee of the Board of Directors of Reorganized PEC.

The LTIP Shares that may be subject to awards granted from time to time by Reorganized PEC, including awards for restricted stock, options, stock appreciate rights, restricted stock units, deferred stock, performance units, Cash incentives or other equity awards, if any, pursuant to the LTIP, shall be authorized on

into up to $250 million of ABL Facilities (as defined in Exhibit I.A.~~195~~196. to the Plan), to avoid the need to issue all or part of the Replacement Secured First Lien Term Loan and/or the New Second Lien Notes. In the Debtors' sole discretion, provided that the First Lien Full Cash Recovery occurs, the size of the Exit Facility may be increased up to (a) $1.95 billion in principal amount in order to provide holders of Second Lien Notes Claims with up to $450 million in Cash and/or Additional First Lien Debt as set forth in Section II.B.2.b. to the Plan or (b) an incrementally higher amount, in accordance with Section II.B.2.b. to the Plan, if the Effective Date does not occur on or before April 3, 2017. If the Exit Facility Condition is not satisfied, then the Debtors may enter into the Replacement Secured First Lien Term Loan on the terms and conditions set forth on Exhibit I.A.~~195~~196. to the Plan and in Section IV.D. to the Plan in an aggregate principal amount of up to $1.5 billion, such principal amount to be calculated as set forth on Exhibit I.A.~~195~~196. to the Plan, and holders of Allowed First Lien Lender Claims shall receive their Pro Rata share thereof in accordance with Section II.B.2.a to the Plan. In addition, the holders of Allowed Second Lien Notes Claims may receive the Additional First Lien Debt (solely in the event that a First Lien Full Cash Recovery occurs) or New Second Lien Notes in accordance with Section II.B.2.b to the Plan.

E. The Class 5B Cash Pool

The Class 5B Cash Pool shall be paid into a segregated account by the Debtors and/or the Reorganized Debtors for Distribution in accordance with the terms of the Plan to holders of Allowed Claims in Class 5B who elect on their Ballot to receive a Distribution from the Class 5B Cash Pool in lieu of receiving any Distributions of (i) Reorganized PEC Common Stock, (ii) Rights Offering Equity Rights or (iii) if applicable, Rights Offering Disputed Claims Reserve Shares for holders of Claims in Class 5B that are Disputed Claims as of the Rights Offering Record Date and later become Allowed. The Reorganized Debtors shall fund the Class 5B Cash Pool in two installments as follows: (i) $37.5 million on the date that is 100 days after the Effective Date; and (ii) $37.5 million on the date that is 190 days after the Effective Date. Any Cash held in the Class 5B Cash Pool after Distributiosn to holders of Allowed Claims in Class 5B that elect to receive a Distribution from the Class 5B Cash Pool up to a maximum of 50% of their Allowed Claims shall be retained by the Reorganized Debtors. For the avoidance of doubt, under no circumstances shall the Debtors ~~have any obligation to~~ pay more than $75 million into the Class 5B Cash Pool on account of Allowed Class 5B Claims.

F. Restructuring Transactions

1. Restructuring Transactions Generally

On or after the Confirmation Date, the applicable Debtors or Reorganized Debtors may enter into such Restructuring Transactions~~70~~73 and may take such actions as the Debtors or Reorganized Debtors may determine to be necessary or appropriate to effect, in accordance with applicable nonbankruptcy law, a corporate restructuring of their respective businesses or a simplification of the overall corporate structure of the Reorganized Debtors, including, but not limited to the Restructuring Transactions identified on Exhibit IV.F.1. to the Plan, all to the extent not prohibited by any other terms of the Plan, the PSA or the New Debt and Equity Documents. Without limiting the foregoing, unless otherwise provided by the terms of a Restructuring Transaction, all such Restructuring Transactions will be deemed to occur on the Effective Date and may include one or more mergers, consolidations, restructurings, reorganizations, transfers, dispositions, conversions, liquidations or dissolutions, as may be determined by the Debtors or the Reorganized Debtors to be necessary or appropriate. The actions to effect these transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, reorganization, transfer, disposition, conversion, formation, partnership, liquidation or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable state law and such other terms to which the applicable entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (c) the filing of appropriate

~~70~~73 The Debtors intend that the Corporate Restructurings will not adversely impact their permits, leases, licenses and authorizations under applicable local, state and federal laws.

third party and under the Plan exceeds the Allowed amount of such Claim or (b) file an objection setting forth the reasons that the holder asserts that such distribution does not have to be returned.

2. Claims Payable by Third Parties

No Distributions under the Plan will be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' or Reorganized Debtors' (as applicable) insurance policies until the holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. If the Debtors or Reorganized Debtors (as applicable) believe a holder of an Allowed Claim has recourse to an insurance policy and intend to withhold a Distribution pursuant to Section VI.M.2. of the Plan, the Debtors or Reorganized Debtors (as applicable) shall cause the Disbursing Agent to provide written notice to such holder as to what the Debtors or Reorganized Debtors (as applicable) believe to be the nature and scope of applicable insurance coverage. To the extent that one or more of the Debtors' or Reorganized Debtors' insurers (as applicable) agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

T. Time Bar to Cash Payments

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within 180 days after the date of issuance thereof. Requests for reissuance of any voided check shall be made directly to the Disbursing Agent by the entity to whom such check was originally issued. Any Claim in respect of such a voided check shall be made within 30 days after the date upon which such check was deemed void. If no request is made as provided in the preceding sentence, any Claims in respect of such voided check shall be discharged and forever barred and such unclaimed Distribution shall be treated as unclaimed property under Section VI.E.2.c. of the Plan, notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary.

U. Application of Distributions

Except as otherwise provided in the Plan, all Distributions to a holder of an Allowed Claim will apply first to the principal amount of such Claim until such principal amount is paid in full and then to any interest accrued on such Claim prior to the Petition Date, and the remaining portion of such Distributions, if any, will apply to any interest accrued on such Claim after the Petition Date.

X.

FINANCIAL PROJECTIONS

As further discussed below, the Debtors believe the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as Confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Reorganized Debtors.

In connection with developing the Plan, and for purposes, in part, of determining whether the Plan satisfies feasibility standards and the Reorganized Debtors' ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their business, the Debtors' management has developed financial projections (the "Financial Projections") for the New Company for 2017-2021 (the "Projection Period"). The Financial Projections with respect to the New Company ~~was~~are attached hereto as Exhibit C ~~on January 16, 2016~~. The Financial Projections include projected consolidated (a) income statements, (b) balance sheets and (c) statements of cash flows for the Projection Period.

The Projections were prepared by the Debtors' management team ("Management") and are based on a number of assumptions made by Management with respect to the future performance of the reorganized Debtors' consolidated operations, including both Debtor and non-Debtor operations. The Debtors' Board of Directors was not asked to, and thus did not, approve the Projections or evaluate or endorse the Projections or the assumptions

INFORMATION IN DOCUMENTS REQUIRED TO BE FILED WITH THE SEC OR OTHERWISE MAKE SUCH INFORMATION PUBLIC.

XI.

VALUATION ANALYSIS

THE INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN. THE INFORMATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS AGAINST THE DEBTORS OR ANY OF THEIR AFFILIATES.

Solely for the purposes of the Plan and the Disclosure Statement, Lazard Frères & Co. LLC, as investment banker to the Debtors, has estimated a range of the total enterprise value ("Enterprise Value") and implied equity value ("Equity Value") of the Reorganized Debtors and their direct and indirect subsidiaries on a consolidated going-concern basis and pro forma for the transactions contemplated by the Plan (the "Valuation Analysis"). The Valuation Analysis was based on financial information provided by the Debtors' management, as well as the Financial Projections attached to the Disclosure Statement as Exhibit C ~~(the "Projections")~~, and information provided by other sources. The Valuation Analysis assumes that the Effective Date of the Plan occurs on April 3, 2017.

Based on the Projections and other information described herein and solely for purposes of the Plan, Lazard estimated that the potential range of the Enterprise Value of the Reorganized Debtors is approximately $4.225 billion to $4.925 billion (with the midpoint of such range being approximately $4.575 billion).

In addition, based on the Projections and other information described herein and solely for purposes of the Plan, Lazard estimated a potential range of total Equity Value of the Reorganized Debtors, which consists of the Enterprise Value, less funded indebtedness and capital leases plus balance sheet cash on the assumed Effective Date. Lazard has assumed that the Reorganized Debtors will have funded indebtedness and capital leases of $1.970 billion and a pro forma cash balance of $800 million as of the Effective Date. Based upon the estimated range of Enterprise Value of the Reorganized Debtors of between $4.225 billion and $4.925 billion described above, and assuming net debt of $1.170 billion, Lazard estimated that the potential range of Equity Value for the Reorganized Debtors is between approximately $3.055 billion and $3.755 billion (with the midpoint of such range being approximately $3.405 billion).

The valuation estimates set forth herein represent a valuation analysis of the Reorganized Debtors generally based on the application of customary valuation techniques, including discounted cash flow analysis, comparable companies analysis and precedent transactions analysis. For purposes of the Valuation Analysis, Lazard assumed that no material changes that would affect estimated value occur between the date of filing of the Disclosure Statement and the assumed Effective Date. Lazard's Valuation Analysis does not constitute an opinion as to fairness from a financial point of view of the consideration to be received or paid under the Plan, of the terms and provisions of the Plan or with respect to any other matters.

1. Valuation Methodologies

In preparing its valuation, Lazard performed a variety of financial analyses and considered a variety of factors. The following is a brief summary of the material financial analyses considered by Lazard, which consisted of a (a) discounted cash flow analysis, (b) comparable companies analysis and (c) precedent transactions analysis. Using these three valuation methodologies, Lazard employed a sum-of-the-parts approach that separately valued the Debtors' U.S. operations (the "Domestic Operations") and their international operations (the "International Operations"). This summary does not purport to be a complete description of the analyses

The New Company's Operations May Impact the Environment or Cause Exposure to Hazardous Substances, and the New Company's Properties May Have Environmental Contamination, Which Could Result in Material Liabilities to the New Company

The Company's operations currently use, and the New Company operations are expected to continue to use, hazardous materials and generate limited quantities of hazardous wastes from time to time. A number of laws, including, in the U.S., CERCLA and the Resource Conservation and Recovery Act ("RCRA"), impose liability relating to contamination by hazardous substances. Such liability may involve the costs of investigating or remediating contamination and damages to natural resources, as well as claims seeking to recover for property damage or personal injury caused by hazardous substances. Such liability may arise from conditions at formerly, as well as currently, owned or operated properties, and at properties to which hazardous substances have been sent for treatment, disposal or other handling. Liability under RCRA, CERCLA and similar state statutes is without regard to fault, and typically is joint and several, meaning that a person may be held responsible for more than its share, or even all, of the liability involved.

The New Company May Be Unable to Obtain and Renew Permits Necessary for Its Operations, Which Would Reduce Its Production, Cash Flows and Profitability

Numerous governmental and tribal permits and approvals are required for mining operations. The permitting rules, and the interpretations of these rules, are complex and are often subject to discretionary interpretations by regulators, all of which may make compliance more difficult or impractical. As part of this process, the Company is required, and the New Company will be required, to prepare and present to governmental authorities data pertaining to the effect that any proposed exploration for or production of coal may have upon the environment. The public, including non-governmental organizations, opposition groups and individuals, have statutory rights to comment upon and submit objections to requested permits and approvals. In recent years, the permitting required for coal mining has been the subject of increasingly stringent regulatory and administrative requirements and extensive litigation by environmental groups.

The costs, liabilities and requirements associated with these regulations and opposition may be costly and time-consuming and may delay commencement or continuation of exploration or production and, as a result, adversely affect the New Company's coal production, cash flows and profitability. Further, required permits may not be issued or renewed in a timely fashion or at all, or permits issued or renewed may be conditioned in a manner that may restrict the New Company's ability to efficiently and economically conduct its mining activities, any of which would materially reduce its production, cash flow and profitability.

The U.S. Army Corps of Engineers ("Corps") regulates certain activities affecting navigable waters and waters of the U.S., including wetlands. Section 404 of the Clean Water Act ("CWA") requires mining companies like the Company to obtain Corps' permits to place material in streams for the purpose of creating slurry ponds, water impoundments, refuse areas, valley fills or other mining activities. In recent years, the Section 404 permitting process has been subject to increasingly stringent regulatory and administrative requirements and a series of court challenges, which have resulted in increased costs and delays in the permitting process. Additionally, increasingly stringent requirements governing coal mining also are being considered or implemented under SMCRA, the National Pollution Discharge Elimination System permit process and various other environmental programs. Potential laws, regulations and policies could result in material adverse impacts on the New Company's operations, financial condition or cash flow, in view of the significant uncertainty surrounding each of these potential laws, regulations and policies.

The Company's Mining Operations Are Subject to Extensive Forms of Taxation, Which Impose Significant Costs on the Company, and Future Regulations and Developments Could Increase Those Costs or Limit the New Company's Ability to Produce Coal Competitively

Federal, state, provincial or local governmental authorities in nearly all countries across the global coal mining industry impose various forms of taxation, including production taxes, sales-related taxes, royalties, environmental taxes, mining profits taxes and income taxes. If new legislation or regulations related to various forms of coal taxation that increase the New Company's costs or limit its ability to compete in the areas in

which it sells its coal, are adopted, its business, financial condition or results of operations could be adversely affected.

If the Assumptions Underlying the Company's Asset Retirement Obligations for Reclamation and Mine Closures Are Materially Inaccurate, the New Company's Costs Could Be Significantly Greater than Anticipated

The Company's asset retirement obligations primarily consist of spending estimates for surface land reclamation and support facilities at both surface and underground mines in accordance with federal and state reclamation laws in the U.S. and Australia as defined by each mining permit. These obligations are determined for each mine using various estimates and assumptions including, among other items, estimates of disturbed acreage as determined from engineering data, estimates of future costs to reclaim the disturbed acreage, estimates of coal reserves and the timing of these cash flows, which is driven by the estimated economic life of the mine and the applicable reclamation laws. These cash flows are discounted using a credit-adjusted, risk-free rate. The Company's management and engineers periodically review these estimates. If the Company's assumptions do not materialize as expected, actual cash expenditures and costs that the New Company incurs could be materially different than currently estimated. Moreover, regulatory changes could increase the New Company's obligations to perform reclamation, mine closing and post-closure activities. The resulting estimated asset retirement obligation could change significantly if actual amounts change significantly from the Company's assumptions, which could have a material adverse effect on the New Company's results of operations and financial condition.

The New Company's Future Success Depends Upon Its Ability to Continue Acquiring and Developing Coal Reserves that are Economically Recoverable

The Company's recoverable reserves decline as it produces coal. The Company has not yet applied for the permits required or developed the mines necessary to use all of its reserves. Moreover, the amount of its proven and probable coal reserves involves the use of certain estimates, and those estimates could be inaccurate. Information about the Company's reserves consists of estimates based on engineering, economic and geological data assembled and analyzed by the Company's staff. Some of the factors and assumptions which impact economically recoverable coal reserve estimates include geological conditions, historical production from the area compared with production from other producing areas, the assumed effects of regulations and taxes by governmental agencies and assumptions governing future prices and future operating costs. Actual production, revenues and expenditures with respect to the New Company's coal reserves may vary materially from estimates.

The New Company's future success depends upon its conducting successful exploration and development activities or acquiring properties containing economically recoverable reserves. The Company's current strategy includes increasing its reserves through acquisitions of government and other leases and producing properties and continuing to use its existing properties and infrastructure. In certain locations, leases for oil, natural gas and coalbed methane reserves are located on, or adjacent to, some of the Company's reserves, potentially creating conflicting interests between the New Company and lessees of those interests. Other lessees' rights relating to these mineral interests could prevent, delay or increase the cost of developing the New Company's coal reserves. These lessees may also seek damages from the New Company based on claims that its coal mining operations impair the other lessors' interests. Additionally, the U.S. federal government limits the amount of federal land that may be leased by any company to 75,000 acres in any one state and 150,000 acres nationwide. As of December 31, 2015, the Company leased a total of 69,145 acres from the federal government subject to those limitations. Many of these leases are in place for the next 20 years. On January 15, 2016, the Interior Department announced that it will perform a review of the federal coal leasing program. The Secretary of the Interior ordered a pause on issuing new coal leases which the Interior Department expects to continue for three years. If this limitation were to continue significantly beyond three years, it could restrict the New Company's ability to lease additional U.S. federal lands and coal reserves critical to its Western U.S. mining and PRB Mining segments.

The Company's planned mine development projects and acquisition activities may not result in significant additional reserves, and the New Company may not have success developing additional mines. Most of the Company's mining operations are conducted on properties owned or leased by the Company. The New

counter market. The Company, therefore, cannot provide any assurance that the Reorganized PEC Common Stock or Preferred Equity will be publicly tradable at any time after the Effective Date. If no public market for the Reorganized PEC Common Stock or Preferred Equity develops, holders of such securities may have difficulty selling or obtaining timely and accurate quotations with respect to such securities.

There cannot be any assurance as to the degree of price volatility in any market that develops for the Reorganized PEC Common Stock or Preferred Equity. Some holders who receive Reorganized PEC Common Stock or Preferred Equity pursuant to the Plan may not elect to hold equity on a long-term basis. Sales by future shareholders of a substantial number of shares after the Effective Date could significantly reduce the market price of the Reorganized PEC Common Stock or Preferred Equity. Moreover, the perception that these stockholders might sell significant amounts of the Reorganized PEC Common Stock or Preferred Equity could depress the trading price of the shares for a considerable period. Under the terms of the Registration Rights Agreement, the New Company will be required to file a shelf registration statement that will permit certain holders of Reorganized PEC Common Stock and/or Preferred Equity acquiring shares pursuant to the Private Placement Agreement and/or the Rights Offering Backstop Commitment Agreement to sell their shares in the public markets. Sales of the Reorganized PEC Common Stock or Preferred Equity, and the possibility thereof, could make it more difficult for the New Company to sell equity, or equity-related securities, in the future at a time and price that it considers appropriate.

The prices of Reorganized PEC Common Stock and Preferred Equity implied by the Plan Equity Value or the projections contained in this Disclosure Statement ~~is~~are not an estimate of the prices at which the shares may trade in the market, and the Company has not attempted to make any such estimate in connection with the development of the Plan. The values of the Reorganized PEC Common Stock or Preferred Equity ultimately may be substantially higher or lower than reflected in the valuation assumptions provided in this Disclosure Statement.

The Reorganized PEC Common Stock Will be Subject to Dilution and May be Subject to Further Dilution in the Future

The Reorganized PEC Common Stock to be issued on the Effective Date is subject to dilution from the LTIP, the Preferred Equity and the Penny Warrants. In addition, in the future, the New Company may issue equity securities in connection with future investments, acquisitions or capital raising transactions. Such issuances or grants could constitute a significant portion of the then-outstanding common stock, which may result in significant dilution in ownership of common stock, including shares of Reorganized PEC Common Stock issued pursuant to the Plan.

The Payment of Dividends on Reorganized PEC's Capital Stock and Repurchases of Reorganized PEC's Capital Stock Are Dependent on a Number of Factors, and Future Payments and Repurchases Cannot Be Assured

It is uncertain whether Reorganized PEC will pay cash dividends or other distributions with respect to the Reorganized PEC capital stock in the foreseeable future. Restrictive covenants in certain debt instruments to which Reorganized PEC and its subsidiaries will, or may, be a party, may limit the ability of Reorganized PEC to pay dividends or for Reorganized PEC to receive dividends from its subsidiaries, any of which may negatively impact the trading price of the Reorganized PEC Common Stock and Preferred Equity. In addition, holders of Reorganized PEC's capital stock will only be entitled to receive such dividends as the Board of Directors of Reorganized PEC may declare out of funds legally available for such payments, and Reorganized PEC's Board of Directors may only authorize the New Company to repurchase shares of Reorganized PEC's capital stock with funds legally available for such repurchases. The payment of future dividends and future repurchases will depend upon the New Company's earnings, economic conditions, liquidity and capital requirements, and other factors, including the New Company's debt leverage. In addition, the terms of the Preferred Equity will limit Reorganized PEC's ability to pay dividends on or purchase shares of Reorganized PEC Common Stock without the consent of holders representing at least a majority of the outstanding shares of

The 2018 Senior Notes have a term of seven years; as described above, although not free from doubt, the Debtors expect the 2018 Senior Notes to be considered tax securities. Assuming such Notes are tax securities, a U.S. Holder of such Notes would have the tax consequences described above with respect to the exchange of the 2020 Senior Notes, the 2021 Senior Notes and 2026 Senior Notes. If, however, the 2018 Senior Notes are not tax securities, the exchange of a U.S. Holder's 2018 Senior Notes would have the tax consequences described below with respect to the exchange of General Unsecured Claims not on account of Unsecured Senior Notes.

As discussed above, it is assumed that any General Unsecured Claims not on account of Unsecured Senior Notes are not tax securities. Accordingly, a U.S. Holder of such Claims would recognize gain or loss in an amount equal to the difference between (a) the aggregate fair market value of the Reorganized PEC Common Stock, Subscription Rights, cash and/or Gold Fields Liquidating Trust Units received and (b) the U.S. Holder's adjusted tax basis in such General Unsecured Claims. The character of any gain or loss recognized by U.S. Holders of such General Unsecured Claims would be determined in the way described above for U.S. Holders of First Lien Lender Claims. The U.S. Holder's basis in such Reorganized PEC Common Stock, Subscription Rights and/or Gold Fields Liquidating Trust Units would be equal to their respective fair market values. The U.S. Holder's holding period for such Reorganized PEC Common Stock, Subscription Rights and/or Gold Fields Liquidating Trust Units would begin on the day after the day of receipt.

A U.S. Holder that exchanges its General Unsecured Claims only for cash would recognize gain or loss in an amount equal to the difference between (a) the amount of such cash, and (b) the U.S. Holder's adjusted tax basis in such General Unsecured Claims.

~~d. U.S. Holders of Convenience Claims~~

~~A U.S. Holder of Convenience Claims would recognize gain or loss in amount equal to the difference between (a) the amount of any cash received or other property received, and (b) the U.S. Holder's adjusted tax basis in such Convenience Claims.~~

~~e~~d. **U.S. Holders of Unsecured Subordinated Debentures Claims**

Under the Plan, U.S. Holders of Unsecured Subordinated Debentures Claims may receive their Pro Rata share of the Unsecured Subordinated Debenture Penny Warrants in exchange for such Claims.

The exchange of Unsecured Subordinated Debentures Claims for Unsecured Subordinated Debenture Penny Warrants may be treated as part of a "reorganization" for U.S. federal income tax purposes and that would not result in the recognition of gain or loss by such U.S. Holder. The aggregate tax basis in the Unsecured Subordinated Debenture Penny Warrants received in exchange for such Claims would equal the U.S. Holder's basis in the 2066 Unsecured Subordinated Debentures. The holding period for the Unsecured Subordinated Debenture Penny Warrants would include the U.S. Holder's holding period for 2066 Unsecured Subordinated Dentures.

If an exchange of Unsecured Subordinated Debentures Claims for Unsecured Subordinated Debenture Penny Warrants is not treated as part of a "reorganization" for U.S. federal income tax purposes, a U.S. Holder of such Claims would likely recognize ordinary income in an amount equal to the value of the Penny Warrants, and a capital loss for an amount equal to the Holder's basis in Claims. The basis in the Penny Warrants would be equal to their ~~formulated~~fair market value and ~~that~~their holding period would begin on the date after the date of the exchange.

~~gain or loss. See the final paragraph of Section XIII.C.2.b above for determining the amount of such gain or loss and other tax consequences if the exchange is not treated as part of a reorganization, treating references to Second Lien Notes Secured Claims and any consideration received as references to Unsecured Subordinated Debenture Claims and Unsecured Subordinated Debenture Penny Warrants, as applicable.~~

e. **U.S. Holders of Convenience Claims**

A U.S. Holder of Convenience Claims would recognize gain or loss in amount equal to the difference between (a) the amount of any cash received or other property received, and (b) the U.S. Holder's adjusted tax basis in such Convenience Claims.

3. Reorganized PEC Common Stock

The tax consequences to a U.S. Holder of owning the Reorganized PEC Common Stock would be those standard tax consequences of owning stock in a U.S. corporation, including that distributions generally are treated as taxable dividends to the extent made out of earnings and profits (possibly subject to qualified dividends treatment), then tax-free return of basis (to the extent thereof), and then capital gain thereafter, subject to the extraordinary dividend rules.

4. Subscription Rights

A U.S. Holder that elects to exercise the Subscription Rights would be treated as purchasing, in exchange for such rights and the amount of cash funded by the U.S. Holder to exercise such rights, the Preferred Equity (in the case of rights to participate in the Private Placement) or Reorganized PEC Common Stock (in the case of the Rights Offering Equity Rights) and Penny Warrants it is entitled to purchase pursuant to Subscription Rights. The purchase would generally be treated as the exercise of an option, and accordingly the U.S. Holder should not recognize gain or loss when it exercises such rights. A U.S. Holder's aggregate tax basis in the Penny Warrants, Reorganized PEC Common Stock and/or Preferred Equity received on exercise of the Subscription Rights would equal the sum of (i) the amount of cash paid by the U.S. Holder to exercise its Subscription Rights and (ii) such U.S. Holder's tax basis in such Rights immediately before such rights are exercised. The U.S. Holder's aggregate tax basis would be allocated between the Penny Warrants, Preferred Equity and/or Reorganized PEC Common Stock received proportionately according to their respective fair market values. A U.S. Holder's holding period for the Penny Warrants, Preferred Equity and/or Reorganized PEC Common Stock received on exercise of the Subscription Rights should begin on the day after the day of receipt.

It is uncertain whether a U.S. Holder that receives but does not exercise a Subscription Right before the 90-day expiration period should be treated as receiving anything of additional value in respect of its Claim. If the U.S. Holder is treated as having received a Subscription Right of value (despite its subsequent lapse), such that it obtains a tax basis in the Subscription Right, the holder generally would recognize a loss to the extent of the holder's tax basis in the Subscription Right. In general, such loss would be a short-term capital loss, subject to any limitations on such U.S. Holder's ability to deduct capital losses discussed generally in Section X.II.C.2.a. above.

5. Preferred Equity

The tax consequences to a U.S. Holder of owning the Preferred Equity would generally be as described in Section XIII.C.3. above, except to the extent described below.

U.S. Holders of the Preferred Equity may be treated as receiving constructive distributions from Reorganized PEC as a result of receiving dividends paid in kind as additional shares of Preferred Equity pursuant to the terms of the Preferred Equity. U.S. Holders of the Preferred Equity may also be treated as receiving constructive distributions if and to the extent that (a) the conversion rate of the Preferred Equity is adjusted (or fails to be adjusted) and as a result of such adjustment or failure the holder's proportionate interest in the assets or earnings and profits of the Reorganized Debtors is increased and (b) the adjustment is not made pursuant to a bona fide, reasonable anti-dilution formula. A U.S. Holder of Preferred Equity would be treated as receiving a constructive distribution if, for example, Reorganized PEC makes a distribution or series of distributions with the effect that shareholders other than holders of Preferred Equity receive (or are deemed to receive) cash and the U.S. Holder of Preferred Equity receives (or is deemed to receive) additional stock. Any constructive distribution deemed received by the U.S. Holder would be taxable as a dividend, return of capital,

permanent establishment or fixed base maintained by such Non-U.S. Holder in the United States); or

- (a) in the case of the exchange of Unsecured Subordinated Debentures Claims pursuant to the Plan, the Debtors are or have been a U.S. real property holding corporation for U.S. federal income tax purposes ("USRPHC") at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period for such Claims, or (b) in certain circumstances, in the case of a sale or other taxable disposition (including a redemption) of the Reorganized PEC Common Stock, the Preferred Equity, Subscription Rights or Penny Warrants received pursuant to the Plan, the Reorganized Debtors (and/or the Debtors) are or have been a USRPHC at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period for such interests.

If the first exception applies, to the extent that any gain is taxable, the Non-U.S. Holder generally would be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax established through adequate documentation to be available to the Non-U.S. Holder under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed certain capital losses allocable to U.S. sources during the taxable year of disposition. If the second or third exception applies, the Non-U.S. Holder generally would be subject to U.S. federal income tax in the same manner as a U.S. Holder and, if the third exception applies, would also be subject to withholding tax (currently at a rate of 15%) with respect to gross proceeds of the distribution or a disposition. A Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to earnings and profits effectively connected with a trade or business within the United States that are attributable to such gains at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty).

With respect to the third exception, the Debtors expect, although it is not free from doubt, that the Debtors have been a USRPHC and, subject to the Restructuring Transactions, the Reorganized Debtors are likely to be a USRPHC. Whether a certain "regularly traded" or other applicable exception to such withholding may be available with regard to certain holders will depend upon facts not yet known to the Debtors. Non-U.S. Holders should consult their own tax advisors regarding the effect of the Debtors' and/or the Reorganized Debtors' status as a USRPHC.

2. Interest

Subject to the application of FATCA and/or backup withholding, payments to a Non-U.S. Holder of an Allowed Claim attributable to accrued but untaxed interest on such Allowed Claim, and payments to a Non-U.S. Holder in respect of U.S.-source interest (including OID, if any) on the Replacement First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes, generally will not be subject to U.S. federal income or withholding tax, provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E, as applicable) establishing that the Non-U.S. Holder is not a U.S. person and therefore the portfolio interest exception is met, unless:

- the Non-U.S. Holder actually or constructively owns 10% or more of the total combined voting power of all classes entitled to vote;
- the Non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to the Debtors (each, within the meaning of the Internal Revenue Code);
- the Non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the Internal Revenue Code; or
- such interest is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (in which case, provided the Non-U.S. Holder tenders a properly executed IRS Form W-8ECI or successor form) to the withholding agent, the Non-U.S. Holder (a) generally would not be subject to withholding tax, but (b) generally would be

XV.

RECOMMENDATION AND CONCLUSION

The Debtors believe that the confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all parties entitled to vote to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received on or before the Voting Deadline.

Dated: January ~~25~~27, 2017

Respectfully submitted,

Peabody Energy Corporation (on its own behalf and on behalf of each affiliate Debtor)

By: /s/ Amy B. Schwetz
Name: Amy B. Schwetz
Title: Executive Vice President and Chief Financial Officer of Peabody Energy Corporation

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.
.			
10.5	Star Lake Energy Company, L.L.C.	43-1898533	16-42639
10.6	Sugar Camp Properties, LLC	35-2130006	16-42649
10.7	Thoroughbred Generating Company, L.L.C.	43-1898534	16-42679
10.8	Thoroughbred Mining Company LLC.	73-1625889	16-42680
10.9	West Roundup Resources, LLC	20-2561489	16-42671
11.0	Wild Boar Equipment Company, LLC	32-0488114	16-42658
11.1	Wild Boar Land Holdings Company, LLC	36-4831131	16-42661

DEBTOR GROUP C

Gold Fields Debtors

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.
1.	Gold Fields Mining, LLC	36-2079582	16-42561
2.	Arid Operations, Inc.	84-1199578	16-42562
3.	Gold Fields Chile, LLC	13-3004607	16-42548
4.	Gold Fields Ortiz, LLC	22-2204381	16-42578
5.	PG Investments Six, L.L.C.	43-1898530	16-42638

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.
1.	Kentucky United Coal, LLC	35-2088769	16-42573
2.	United Minerals Company, LLC	35-1922432	16-42663
3.	Midwest Coal Reserves of Kentucky, LLC	20-3405872	16-42620
4.	Peabody Asset Holdings, LLC	20-3367333	16-42555
5.	Peabody China, LLC	43-1898525	16-42552
6.	Peabody Mongolia, LLC	20-8714315	16-42617
7.	Peabody IC Funding Corp	46-2326991	16-42615

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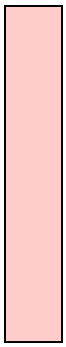

oldings, LLC