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

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Dated: January 25, 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 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 Debtors do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016 and not necessarily in accordance with federal or state securities laws or other non-bankruptcy laws. This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission or any securities exchange or association, nor has the SEC, any state securities commission or any securities exchange or association passed upon the accuracy or adequacy of the statements contained herein.

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[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 Debtors5.

QUESTIONS AND ADDITIONAL INFORMATION

If you would like to obtain a paper copy of this Disclosure Statement, the Plan or any of the documents attached hereto or referenced herein, or have questions about the solicitation and voting process or the Debtors' Chapter 11 Cases generally, please contact the Claims and Balloting Agent (A) by telephone (1) toll-free at (866) 967-1783, (2) for callers outside of the United States or Canada at (310) 751-2683, (3) for inquiries related to Australia for callers in Australia at 1300 386 742 or (4) for inquiries related to Australia for callers outside Australia at +61 3 9415 4613; (B) by email at PeabodyInfo@kccllc.com; or (C) in writing at Peabody Energy Corporation Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245.

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 CONTENTS
(continued)

Page

TABLE OF EXHIBITS

I.

INTRODUCTION

Peabody Energy Corporation ("PEC") and certain of its direct and indirect subsidiaries, as the above-captioned debtors and debtors in possession (collectively, the "Debtors") in the jointly-administered cases commenced under chapter 11 ("Chapter 11") of title 11 of the United States Code (as now in effect or hereafter amended, the "Bankruptcy Code"), filed in the United States Bankruptcy Court for the Eastern District of Missouri (together with the District Court to the extent of the withdrawal of any reference under section 157 of title 28 of the United States Code, the "Bankruptcy Court") and captioned In re Peabody Energy Corporation, *et al.*, Case No. 16-42529-399 (Bankr. E.D. Mo.) (collectively, the "Chapter 11 Cases"), submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code in connection with the solicitation of acceptances of the *Joint Plan of Reorganization of Debtors and Debtors in Possession* (the "Plan"). A copy of the Plan is attached hereto as Exhibit A.

This Disclosure Statement sets forth certain information regarding the prepetition operating and financial history of the Company, the events leading up to the commencement of the Chapter 11 Cases, significant events that have occurred during the Chapter 11 Cases and the anticipated organization, operations and capital structure of the Company on and after the effective date of the Plan (the "Effective Date") if the Plan is confirmed and becomes effective. This Disclosure Statement also describes terms and provisions of the Plan, including certain effects of Confirmation (as defined in the Plan) of the Plan by the Bankruptcy Court, certain risk factors (including those associated with securities to be issued under the Plan), and the manner in which distributions will be made under the Plan. The Confirmation process and the voting procedures that holders of Claims in the Chapter 11 Cases who are entitled to vote on the Plan must follow for their votes to be counted are also discussed herein.

The Debtors are the co-proponents of the Plan together with several groups representing the Debtors' significant creditor constituencies (the "Creditor Co-Proponents" and, together with the Debtors, the "Plan Proponents"). The Creditor Co-Proponents consist of:

- Citibank, N.A. ("Citibank"), in its capacity as agent under that certain revolving credit facility and that certain term loan facility issued pursuant to that certain Amended and Restated Credit Agreement, dated as of September 24, 2013 (as it has been or may be amended, supplemented or otherwise modified in accordance with the terms thereof, the "First Lien Credit Agreement") and certain lenders under the First Lien Credit Agreement (excluding the Noteholder Co-Proponents) who were signatories to the Plan Support Agreement, dated December 22, 2016 (together with all exhibits and schedules appended thereto, the "PSA") (together with Citibank, the "First Lien Lender Co-Proponents");

- Contrarian Capital Management, L.L.C. ("Contrarian"); PointState Capital Management, LP ("PointState"); Panning Capital Management, LP ("Panning"); and South Dakota Investment Council ("SDIC," and, together with Contrarian, PointState and Panning, the "*Ad Hoc* Group of Second Lien Noteholders");

- Elliott Management Corporation ("Elliott"); Discovery Capital Management, LLC ("Discovery"); and Aurelius Capital Management, LP ("Aurelius" and, together with Elliott and Discovery, the "*Ad Hoc* Group of Unsecured Senior Noteholders" and, together with the *Ad Hoc* Group of Second Lien Noteholders, the "Noteholder Co-Proponents"); and

- The official committee for the unsecured creditors (the "Creditors' Committee").

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 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.

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[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.

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. 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. 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 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

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[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.

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.

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

[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.

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.**[__]** 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 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].

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. to the Plan in an aggregate principal amount of up to $1.5 billion, such principal

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[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.

amount to be calculated as set forth on Exhibit I.A.195. 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. 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 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

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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.

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.

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) 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 (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. 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. 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. to the Plan, and creditors are encouraged to specifically review Exhibit I.A.195. 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

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

[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.

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. to the Plan and have the other material terms and conditions set forth on Exhibit I.A.150. 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. to the Plan, and creditors are encouraged to specifically review Exhibit I.A.150. 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 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

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

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 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. 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

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[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]**, 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.

[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.

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 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 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 Debtors and the First Lien Lenders disagree over how and when to measure compliance with the Principal Property covenants.

The Debtors were required under the terms of the Debtors' now-terminated, as a result of repayment in full, debtor-in-possession secured financing facility credit agreement, dated April 13, 2016 (the "DIP Facility Credit Agreement"), to bring a declaratory judgment action seeking a determination of the amount of the Principal Property Cap and which of the U.S. mining complexes constitute Principal Properties (collectively, the "CNTA Issues"). On May 20, 2016, the Debtors initiated the CNTA Dispute Adversary Proceeding against Citibank, in its capacity as agent (the "First Lien Agent") under the First Lien Credit Agreement, and Wilmington Savings Bank ("Wilmington Bank"), in its capacity as indenture trustee to the Second Lien Notes (the "Second Lien Notes Indenture Trustee," and together with Citibank, the "CNTA Defendants") seeking a resolution of the CNTA Issues. As discussed in more detail in Section IV.E.6. herein, the Honorable James L. Garrity, Jr. was appointed to serve as mediator. The Creditors' Committee, the *Ad Hoc* Group of Unsecured Senior Noteholders Group and the *Ad Hoc* Group of Second Lien Noteholders were granted permission via stipulation and order to intervene in the CNTA Dispute Adversary Proceeding over the course of the CNTA Dispute Adversary Proceeding. Mediation before Judge Garrity commenced on September 16, 2016, (the "CNTA Mediation"). As part of the mediation, the CNTA Parties began to discuss the resolution of a variety of complex issues where there was disagreement among certain of the CNTA Parties. These discussions evolved into negotiations regarding possible plans of reorganization between the Debtors and the other mediation parties and ultimately led to the Debtors and the other mediation parties reaching a settlement on several complex issues including, among other things, the CNTA Issues, valuation of the Company and distributions under the Plan.

As part of the Global Settlement, the Plan Proponents have agreed that the CNTA Dispute shall be deemed resolved upon the Effective Date of the Plan based on the settlements and compromises embodied in the Plan. On the Effective Date, the declaratory judgment action with respect to the CNTA Dispute, which once stood as a gating issue, shall be dismissed with prejudice. The Global Settlement's resolution of the CNTA Dispute will conclude the ongoing CNTA Dispute Adversary Proceeding currently before the Bankruptcy Court and will eliminate the risk that any judgment rendered in the CNTA Dispute Adversary Proceeding will be appealed. Appeal of the CNTA Dispute Adversary Proceeding would prolong the Chapter 11 Cases, add unnecessary uncertainty and require the Debtors and the CNTA Parties to expend additional costs and resources to prosecute and defend an appeal centered around complex issues that can be resolved through the Global Settlement.

c. **The Valuation Dispute**

Prior to entering into the Global Settlement, the Debtors and many of their creditors (including the Creditor Co-Proponents and the Creditors' Committee) disagreed over the proper valuation of the Company and advanced their competing views in connection with mediation and during the negotiations that ultimately led to the Global Settlement embodied in the Plan.

During the mediation and negotiation process, various creditor groups expressed preliminary views on the valuation of the Debtors' businesses, with some groups advocating for a higher valuation and some groups advocating for a lower valuation.

A key driver of the Debtors' valuation is coal pricing forecasts. However, historical Australia and U.S. coal pricing, as well as production levels, fluctuate substantially and, thus, future projections are inherently uncertain. In contrast to their competing creditor constituencies, the Debtors, in consultation with their advisors, have consistently taken the view that the Debtors' valuation should be based on coal pricing forecasts, supply and demand models, actual production forecasts, and other key assumptions that are pressure-tested against the Debtors' actual operations and a robust universe of credible third-party research as the proper input in any valuation analysis. The Debtors believe that such a view of valuation is the most accurate long-term indicator of the value of their businesses, as well as the fair and reasonable approach for determining the allocation of value among their competing creditor constituencies in connection with the Debtors' restructuring given the highly unpredictable coal pricing environment.

Adding to the challenge of consensually resolving the Valuation Dispute, the Debtors' business plan was under revision in the midst of the negotiations as a consequence of, among other facts, late 2016 pricing improvements, which impacted the Company's near-term industry views, financial performance and outlook. Thus, even as the Debtors were striving to reach consensus on the Valuation Dispute along with myriad other issues raised by the competing creditor constituencies, the Debtors and their major creditor constituencies also had to factor in ongoing revisions to the Debtors' business plan and financial projections.

Ultimately, to resolve the Valuation Dispute, in connection with the Global Settlement embodied in the Plan, the Plan Proponents agreed that the Plan enterprise value is $4.275 billion (the "Plan Enterprise Value") and that Plan equity value is $3.105 billion (the "Plan Equity Value").[32]

All of the Plan Proponents and the Creditors' Committee agree that the settlement of the Valuation Dispute, as reflected in the Plan Enterprise Value and the Plan Equity Value, is fair and equitable and in the best interests of the Debtors' estates. Absent resolution of the Valuation Dispute, the Debtors' estates and their creditors would face costly and time-consuming litigation. This would require each of the Plan Proponents and Creditors' Committee to engage experts to analyze and dispute complex financial projections and speculative data that would involve significant costs and time and would likely delay the Debtors' emergence from these Chapter 11 Cases. Resolving the Valuation Dispute avoids this significant burden on the Debtors and their stakeholders and allows for expeditious emergence from these Chapter 11 Cases with a Plan Equity Value supported by almost all of the Debtors' major creditor constituencies, including the Creditors' Committee.

In support of the settlement of the Valuation Dispute, the Debtors anticipate providing evidence to the Bankruptcy Court in connection with the Confirmation Hearing that the settlement with respect to Plan Enterprise Value and Plan Equity Value fall well within the range of reasonableness. In particular, the Debtors' investment banker, Lazard, together with the assistance of the Debtors and certain other professional advisors of the Debtors has developed the view, based on the Updated Financial Projections attached hereto as Exhibit C and other key assumptions including, assuming an April 3, 2017 Effective Date, that the Debtors' estimated total enterprise value is between $4.225 billion and $4.925 billion, with a midpoint of $4.575 billion, and the Debtors' estimated plan equity value is between $3.055 billion and $3.755 billion, with a midpoint of $3.405 billion. Lazard used three conventional methodologies to estimate the going-concern value of the Reorganized Debtors on a consolidated basis – a discounted cash flow analysis, a comparable company analysis and a precedent transaction analysis. Further, Lazard separately valued the Debtors' domestic and international businesses as if they were stand-alone enterprises to arrive at a sum-of-the-parts valuation for the consolidated enterprise. For more detail, see Section XI herein.

While the Plan Enterprise Value and Plan Equity Value that were agreed as part of the Global Settlement are in between the midpoint and low point of the ranges developed by Lazard, they are within those ranges. As such, the Debtors believe that the settlement of the Valuation Dispute and the agreed Plan Enterprise Value and Plan Equity Value set forth in the Plan are reasonable and should be approved by the Bankruptcy Court in connection with the overall Global Settlement embodied in the Plan.

[32] Calculation of Plan Equity Value assumes $1.95 billion of funded debt and approximately $20 million of capital leases.

d. **Treatment of Intercompany Claims**

In accordance with the Global Settlement, the Plan provides that Intercompany Claims shall be ignored for purposes of calculating distributions to third party creditors, with certain limited agreed upon exceptions. As part of the Global Settlement, the Plan Proponents and the Creditors' Committee have agreed not to spend the time and resources that would be necessary to investigate the validity of the Intercompany Claims, the reconciliation of years of accrued intercompany balances and the potential recharacterization of certain Intercompany Claims.

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

[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.

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' 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 5B 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. 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 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 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 total Allowed Claim upon which they are 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 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 of the Gold Fields Debtors 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," and/or "bodily injury" within the meaning of the Gold Fields Policies; whether the events and/or property damage necessary to activate the Historic Gold Fields Policies took place during the policy period; whether any "pollution exclusion" bars coverage; whether late

notice bars coverage; whether the conditions of the Historic Gold Fields Policies were breached with regard to voluntary payments or any failure to cooperate with the insurer; whether any claim exceeds the applicable limits of liability under the Historic Gold Fields Policies; and the manner in which insured liabilities, if any, would be allocated across the Historic Gold Fields Policies.

The Gold Fields Debtors also are guarantors under the First Lien Credit Agreement, the Second Lien Notes and on the Unsecured Senior Notes. The Gold Fields Debtors are identified on Exhibit D.

4. Group D – Peabody Holdings (Gibraltar) Limited

Peabody Holdings (Gibraltar) Limited, a Gibraltar entity, has been placed in its own Debtor Group since, among other things, it is the sole foreign entity in these Chapter 11 Cases. Gib 1 is the ultimate holding company for nearly all of the Company's Australian entities, but has no other assets. Gib 1 has pledged 65% of its equity in non-debtor Peabody Investments (Gibraltar) Limited ("Gib 2") to (a) the First Lien Lenders under that certain Deed of Amendment and Restatement of Share Charge relating to shares in Gib 2 between Gib 1 and Citibank as First Lien Agent, dated February 5, 2015 and (b) the Second Lien Noteholders under that Share Charge relating to shares in Gib 2 between Gib 1 and U.S. Bank National Association as collateral agent, dated March 16, 2015.

In addition, Gib 1 executed a Promissory Note in favor of Debtor PIC Holdings, dated July 1, 2014 in the amount of $5.0 billion. Under the Loan Facility Agreement between PEC and Gib 1, dated July 28, 2011 (as assigned to PIC Funding pursuant to the Assignment of Loan Agreement dated March 21, 2013 and assumed by PIC Holdings pursuant to the Assumption and Release Agreement dated July 1, 2014), PIC Holdings, as of mid-December 2016, is indebted to Debtor PIC Funding in the amount of approximately $5.8 billion. Debtor Peabody Investment Corp. ("PIC"), as pledgor, under the Amended and Restated PIC Pledge Agreement (the "PIC Pledge Agreement"), dated as of February 5, 2012, has pledged 100% of its interest in PIC Funding, and in other Collateral (as defined in the PIC Pledge Agreement) to the First Lien Lenders. PIC, as grantor, under the Pledge and Security Agreement (the "Second Lien Security Agreement"), dated as of March 16, 2015, also has pledged 100% of its interest in PIC Funding and in other Collateral (as defined in the Second Lien Security Agreement) to the Second Lien Noteholders.

Notwithstanding its pledge of 65% of its ownership in Gib 2 to the First Lien Lenders and the Second Lien Noteholders, Gib 1 is not a guarantor of either. Similarly, Gib 1 does not guarantee either the Unsecured Senior Notes or the 4.75% convertible junior subordinated debentures due December 2066 and issued under the 2066 Subordinated Indenture (the "2066 Unsecured Subordinated Debentures"). No other General Unsecured Claims were asserted against Gib 1 by the claims Bar Date in these Chapter 11 Cases.

5. Group E – Unencumbered Debtors

The Unencumbered Debtors include those Debtor entities that are not subject to the liens arising under the First Lien Credit Agreement or the Second Lien Notes Indenture,[34] nor are they guarantors of the Unsecured Senior Notes. The Unencumbered Debtors are identified on Exhibit D. The Unencumbered Debtors include a group of 27 Debtor entities (the "Four Star Debtors") that were to be sold in the Four Star Transaction (as defined below). As discussed in more detail in Section IV.G. herein, the Four Star Transaction was evidenced by a purchase and sale agreement with a subsidiary of Bowie Resource Partners, LLC ("Bowie"), pursuant to which, Debtor Four Star Holdings, LLC ("Four Star") agreed to sell all of its equity interests in the entities which owned the Four Star Debtors' mining operations in Colorado and New Mexico (the "Four Star Transaction"). The closing of the Four Star Transaction was scheduled to occur during the first fiscal quarter of 2016. Until February 19, 2016, the Four Star Debtors served as guarantors to the First Lien Credit Agreement, the Second Lien Notes and the Unsecured Senior Notes. As the Four Star Transaction neared consummation, the Four Star Debtors were re-designated as "Unrestricted Subsidiaries" under the First Lien Credit Agreement, which had the effect of releasing the Four Star Debtors' guarantees under the First Lien Credit Agreement and the corresponding liens against the Four Star Debtors, and, by operation of the applicable provisions in the Second Lien Notes Indenture and each of the

[34] "Second Lien Notes Indenture" means the indenture relating to the Second Lien Notes, dated March 16, 2015, among PEC, as issuer, the Encumbered Guarantor Debtors and the Gold Fields Debtors, as guarantors, and the Second Lien Notes Indenture Trustee, as the same has been or may be subsequently modified, amended, supplemented or otherwise revised from time to time.

Unsecured Senior Notes, the corresponding guarantees of each of those notes and the related liens. The closing of the Four Star Transaction was delayed and eventually terminated prior to the Petition Date due to the buyer's inability to secure financing for the transaction.

C. Classes of Claims

Under the Plan, Securitization Facility Claims,[35] Administrative Expense Claims,[36] Priority Tax Claims and Contingent DIP Facility Claims will not be classified. The remaining Claims against, and Interests in, the Debtor(s) in an applicable Debtor Group are classified in up to 12 separate Classes,[37] as shown in Table 1 below:

TABLE 1

Class Number	Designation
1	First Lien Lender Claims
2	Second Lien Notes Claims
3	Other Secured Claims
4	Other Priority Claims
5	General Unsecured Claims
6	Convenience Claims
7	MEPP Claim
8	Unsecured Subordinated Debenture Claims
9	Intercompany Claims
10	Section 510(b) Claims
11	PEC Interests
12	Subsidiary Debtor Interests

Due to the Debtors' complex corporate and capital structure, not all Classes exist at all Debtor Groups. For consistency, similarly designated Classes of Claims and Interests are assigned the same number across each of the Debtor Groups, regardless of whether that Class exists in a particular Debtor Group. A summary of the Claims existing in each Debtor Group can be found in Table 2 below.

[35] "Securitization Facility Claims" means any and all Claims constituting Facility Obligations, as such term is defined in the Final ARS Order.

[36] As set forth in the plan term sheet attached to the PSA (the "Plan Term Sheet"), Administrative Expense Claims are estimated to be approximately $15 million to $25 million, which excludes professional fees. See Plan Term Sheet, at 8. Professional fees are accounted for in the consolidated financial projections of the Debtors, attached hereto as Exhibit C.

[37] "Class" means a class of Claims, as described in Article II of the Plan.

Table 2

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. 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. 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. 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 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 in excess of $1.158 billion, 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

CLASS(ES) AND IMPAIRMENT	DEBTOR GROUPS	DESIGNATION	TREATMENT	ESTIMATED ALLOWED AMOUNT[38]	ESTIMATED RECOVERY[39] AND VOTING STATUS
3A – 3E Unimpaired	PEC Encumbered Guarantor Debtors Gold Fields Debtors Gib 1 Unencumbered Debtors	Other Secured 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 Claim in Classes 3A, 3B, 3C, 3D and 3E will receive treatment on account of such Allowed Secured Claim in the manner set forth in Option A, B, C or D below, at the election of the applicable Debtor or Reorganized Debtor. The applicable Debtor or Reorganized Debtor will be deemed to have elected Option A except with respect to (1) any Allowed Secured Claim as to which the applicable Debtor at its sole discretion elects either Option B, Option C or Option D in one or more certifications Filed prior to the conclusion of the Confirmation Hearing and (2) any Allowed Secured Tax Claim, with respect to which the applicable Debtor will be deemed to have elected Option B. Option A: Reinstatement of any such Allowed Other Secured Claim pursuant to section 1124 of the Bankruptcy Code; Option B: payment in full (in Cash) of any such Allowed Other Secured Claims; Option C: satisfaction of any such Allowed Other Secured Claim by delivering the collateral securing any such Allowed Other Secured Claims and paying any interest required to be paid under section 506(b) of the Bankruptcy Code; or Option D: providing such holders with such treatment in accordance with section 1129(b) of the Bankruptcy Code as may be determined by the Bankruptcy Court. Notwithstanding either the foregoing or Section I.A.229. of the Plan, the holder of an Allowed Secured Tax Claim in Classes 3A, 3B, 3C, 3D and 3E will not be entitled to	$0 to $25 million	100% Deemed to Accept

(continued…)

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
			receive any payment on account of any penalty arising with respect to or in connection with such Allowed Secured Tax Claim. Any such Claim or demand for any such penalty will be subject to treatment in Classes 5A, 5B, 5C, 5D and 5E, as applicable, if not subordinated to such Claims pursuant to an order of the Bankruptcy Court. The holder of an Allowed Secured Tax Claim will not assess 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 Entitled to Vote
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	$3.960 billion to $4.160 billion	TBD[44] 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.

[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
			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.		

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% 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% 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.

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% 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 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	Impaired

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 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 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.[46]	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 condition to confirmation of a plan of reorganization that each Class that is impaired and entitled to vote under a plan votes to

[46] "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.

accept such plan, unless the plan is being confirmed under the "cramdown" provisions of section 1129(b) of the Bankruptcy Code. Section 1129(b) permits confirmation of a plan of reorganization, notwithstanding the non-acceptance of the plan by one or more impaired classes of claims or equity interests, so long as at least one impaired class of claims or interests votes to accept a proposed plan. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class, as described further in Section VIII.C.4. below.

The Classes of Claims against or Interests in a Debtor belonging to a Debtor Group consisting of more than one Debtor is deemed to be a single Class against all of the Debtors in that Debtor Group for all administrative purposes under the Bankruptcy Code, including voting, Confirmation and distribution purposes. To the extent a holder has a Claim that may be asserted against more than one Debtor in a Debtor Group, the vote of such holder in connection with such Claims shall be counted as a vote of such Claim in respect of such Claims against each Debtor in such Debtor Group.

For a detailed description of the Classes of Claims and Interests and their treatment under the Plan, see Section VI. herein.

E. Solicitation Package

The package of materials (the "Solicitation Package") to be sent to holders of Claims entitled to vote on the Plan will contain:

- a cover letter describing (1) the contents of the Solicitation Package, (2) the contents of any enclosed CD–ROM and instructions for use of the disc and (3) information about how to obtain, at no charge, paper copies of any materials provided on the disc;
- a paper copy of the notice (the "Confirmation Hearing Notice") of the hearing to be held by the Bankruptcy Court on confirmation of the Plan (as such hearing may be continued, the "Confirmation Hearing");
- a copy – either as a paper copy or in an enclosed disc – of the Disclosure Statement Order and this Disclosure Statement, together with the exhibits thereto, including the Plan, that have been filed with the Bankruptcy Court in the Chapter 11 Cases before the date of the mailing;
- a paper copy of any letter(s) recommending acceptance of the Plan; and
- for holders of Claims in voting Classes (*i.e.*, holders of Claims in Classes 1A – 1D, 2A – 2D, 5A – 5C, 5E; 6A – 6B, 7A – 7E and 8A), an appropriate form of ballot (each, a "Ballot"), instructions on how to complete the Ballot, a Ballot return envelope and such other materials as the Bankruptcy Court may direct.

In addition to the service procedures outlined above (and to accommodate creditors who wish to review exhibits not included in the Solicitation Packages in the event of paper service): (1) the Plan, this Disclosure Statement and, once they are filed, all exhibits to both documents will be made available online at no charge at www.kccllc.net/peabody; and (2) the Debtors will provide parties in interest with paper copies of the Plan and/or Disclosure Statement, at no charge, upon written request to Peabody Energy Corporation Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245.

F. Voting Procedures, Ballots and Voting Deadline

If you are entitled to vote to accept or reject the Plan, a Ballot(s) has been enclosed in your Solicitation Package for the purpose of voting on the Plan. Please vote and return your Ballot(s) to the Debtors' Claims and Balloting Agent, KCC, at (i) **Peabody Energy Corporation Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245**, for holders of First Lien Lender Claims in Class 1 and General Unsecured Claims in Class 5 (other than those evidenced by Unsecured Senior Notes Claims) or (ii) **Peabody Energy Corporation Ballot Processing, c/o Kurtzman Carson Consultants 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] (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.

TO BE COUNTED, ALL BALLOTS MUST BE PROPERLY COMPLETED IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND ACTUALLY RECEIVED NO LATER THAN THE VOTING DEADLINE (*I.E.*, MARCH 3, 2017 AT 5:00 P.M. (PREVAILING CENTRAL TIME)) BY THE CLAIMS AND BALLOTING AGENT VIA REGULAR MAIL, OVERNIGHT COURIER OR PERSONAL DELIVERY AT THE FOLLOWING ADDRESS:

PEABODY ENERGY CORPORATION BALLOT PROCESSING,
C/O KURTZMAN CARSON CONSULTANTS LLC,
2335 ALASKA AVENUE,
EL SEGUNDO, CALIFORNIA 90245

TO BE COUNTED, ALL MASTER BALLOTS MUST BE PROPERLY COMPLETED IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND ACTUALLY RECEIVED NO LATER THAN THE VOTING DEADLINE (*I.E.*, MARCH 3, 2017 AT 5:00 P.M. (PREVAILING CENTRAL TIME)) BY THE CLAIMS AND BALLOTING AGENT VIA REGULAR MAIL, OVERNIGHT COURIER OR PERSONAL DELIVERY AT THE FOLLOWING ADDRESS:

PEABODY ENERGY CORPORATION BALLOT PROCESSING
C/O KURTZMAN CARSON CONSULTANTS LLC
1290 AVENUE OF THE AMERICAS, 9TH FLOOR
NEW YORK, NY 10104

[47] "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..

No Ballots, including Master Ballots, may be submitted by email or any other means of electronic transmission, **and any Ballots submitted by electronic mail or other means of electronic transmission will not be accepted by the Claims and Balloting Agent. Ballots should not be sent directly to the Debtors**.

If a holder of a Claim delivers to the Claims and Balloting Agent more than one timely, properly completed Ballot with respect to such Claim prior to the Voting Deadline, the Ballot that will be counted for purposes of determining whether sufficient acceptances required to confirm the Plan have been received will be the timely, properly completed Ballot determined by the Claims and Balloting Agent to have been received last from such holder with respect to such Claim.

IF YOU ARE A HOLDER OF A CLAIM WHO IS ENTITLED TO VOTE ON THE PLAN AS SET FORTH IN THE DISCLOSURE STATEMENT ORDER AND DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS DISCLOSURE STATEMENT, THE PLAN, THE BALLOT OR THE PROCEDURES FOR VOTING ON THE PLAN, PLEASE CONTACT THE CLAIMS AND BALLOTING AGENT (1) BY TELEPHONE (A) TOLL-FREE AT (I) (866) 967-1783 OR (II) (877) 833-4150 (FOR MASTER BALLOT AGENTS), (B) FOR CALLERS OUTSIDE OF THE UNITED STATES OR CANADA AT (I) (310) 751-2683 OR (II) (917) 281-4800 (FOR MASTER BALLOT AGENTS), (C) FOR INQUIRIES RELATED TO AUSTRALIA FOR CALLERS IN AUSTRALIA AT 1300 386 742 OR (D) FOR INQUIRIES RELATED TO AUSTRALIA FOR CALLERS OUTSIDE AUSTRALIA AT +61 3 9415 4613; (2) BY EMAIL AT PEABODYINFO@KCCLLC.COM; OR (3) IN WRITING AT PEABODY ENERGY CORPORATION BALLOT PROCESSING, C/O KURTZMAN CARSON CONSULTANTS LLC, 2335 ALASKA AVENUE, EL SEGUNDO, CALIFORNIA 90245.

FOR FURTHER INFORMATION AND INSTRUCTIONS ON VOTING TO ACCEPT OR REJECT THE PLAN, SEE SECTION VII.

Before voting on the Plan, each holder of a Claim in Classes 1A – 1D, 2A – 2D, 5A – 5C, 5E and 6A – 6B should read, in their entirety, this Disclosure Statement, the Plan, the Disclosure Statement Order, the Confirmation Hearing Notice and the instructions accompanying the Ballots. These documents contain important information concerning how Claims are classified for voting purposes and how votes will be tabulated. Holders 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] 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.

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

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 (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.[49]

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

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

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 holdings, minimum charges on certain transportation-related contracts, costs associated with past mining activities and certain energy-related commercial matters.

During the Chapter 11 Cases, the Debtors have worked to capitalize on their strengths, reduce costs and fixed charges and pursue additional improvements to facilitate long-term success. As discussed in more detail in Section V herein, the Debtors have addressed numerous matters since the Petition Date, including developing business plans for their U.S. operations (the "U.S. Business Plan") and their non-debtor and Australian Mining Operations (the "Australian Business Plan," and together with the U.S. Business Plan, the "Global Business Plan"). The Debtors also have filed their schedules of assets and liabilities and statements of financial affairs (collectively, the "Schedules") for each of the 153 Debtors, participated in meetings of creditors under section 341 of the Bankruptcy Code, addressed various issues in connection with the Debtors' vendor and customer constituencies and evaluated contracts, equipment leases and nonresidential real property leases to identify candidates for assumption and rejection. Additionally, as discussed in detail in Section IV.J. the Debtors have negotiated with relevant state regulatory agencies in Wyoming, New Mexico, Indiana and Illinois to resolve, for the duration of the Chapter 11 Cases, disputes related to the Debtors' self-bonding under relevant state law through utilizing the $200 million Bonding Accommodation Facility (as defined herein) from the now-terminated debtor-in-possession secured financing facility (the "DIP Facility"). The DIP Facility Repayment Order (as that term is defined in the Plan) provides comfort that the superpriority claims and letters of credit provided to these states under the Bonding Accommodation Facility remain despite the Debtors' repayment of the DIP Facility.

The Company believes that its asset base and skilled work force will allow it to remain a leader in the industry well into the future. The Company benefits from its size, geographic and product diversity between metallurgical and thermal coals and customer access across core mining sectors in the United States and in Australia. The Company believes that its asset base, diversified product and geographic mix along with its commitment to safety and cost discipline give it an advantage in the industry.

B. Safety

The Company maintains an extensive safety and health management system. Safety is a key value for the Company and one of its leading measures of operational excellence. The Company's "Safety a Way of Life Management System" has been designed to set clear and consistent expectations for safety and health across the Company's business. It aligns to the National Mining Association's CORESafety® framework and encompasses three fundamental areas: leadership and organization, safety, and health risk management and assurance. In September 2016, the U.S. National Mining Association recognized the Company as the first in the industry to achieve independent certification under the CORESafety® system. The Company also partners with other

companies and certain governmental agencies to pursue new technologies that have the potential to improve the Company's safety performance and provide better safety protection for employees.

C. U.S. Mining Operations

The principal business of the Debtors' mining segments in the United States (PRB Mining, Illinois Basin Mining and Western U.S. Mining) is the mining, preparation and sale of thermal coal. This coal is primarily supplied to U.S. electricity generators, with a small portion sold for seaborne exports as conditions warrant. The Debtors' U.S. mining operations represent a strong asset base within the core U.S. mining sectors of the PRB and Illinois Basin. In 2015, gross EBITDA margins for the Company's three U.S. reporting segments exceeded 25% (despite lower production volumes) as a result of layered contracting strategies and cost reductions.

The Debtors are the largest producer and reserve holder in the PRB. As of the Petition Date, the Debtors' PRB Mining operations controlled approximately 98,000 surface acres located in the PRB area of Wyoming. As of December 31, 2015, the Debtors held an estimated 3.0 billion tons of proven and probable reserves in the PRB. Operations in the PRB utilized surface mining extraction techniques in which land is contemporaneously reclaimed as part of the mining process. Coal produced in the PRB generally has both lower sulfur and British Thermal Unit ("Btu") content relative to other U.S. coal basins. The Debtors operate three mines in the PRB, which rank among the most productive large mines in America. Among these is the Company's flagship North Antelope Rochelle Mine – the world's largest coal mine, which has been recognized by the Wyoming Department of Environmental Quality ("WDEQ") and the United States Department of Interior as an industry leader in reclamation practices. In 2014 and 2015, the Debtors' gross margins exceeded the average gross margins of other PRB producers.

The Debtors' other U.S. mining operations include the Western U.S. Mining and Illinois Basin Mining segments. The Debtors' Western U.S. Mining operations are currently comprised of mines located in New Mexico, Arizona and Colorado. These mining operations are characterized by a mix of surface and underground operations and of coal with mid-range sulfur and Btu content. Coal sales from these operations primarily served customers in the Southwest, with the Arizona operation serving as a dedicated supplier to a single customer. Sales from these mines totaled approximately 18 million tons in 2015.

The Debtors' Illinois Basin Mining operations include active mines in Illinois and Indiana. These mining operations are characterized by a mix of surface and underground operations and coal with a higher sulfur and higher Btu content. Collectively, the Debtors sold approximately 21 million tons from their Illinois Basin Mining operations in 2015.

D. Australian Operations

The Company's Australian Mining Operations are not part of the Chapter 11 Cases but are core to the Company's organizational business model. The business of the Company's Australian operating platform is primarily export focused, with customers spread across several countries. A portion of the Company's coal is sold within Australia. Generally, revenues from individual countries vary year by year based on electricity and steel demand, the strength of the global economy, governmental policies and several other factors, including those specific to each country. The Company's Australian Metallurgical Mining operations consist of mines in Queensland and one in New South Wales, Australia. The mines in this segment are characterized by both surface and underground extraction processes used to mine various qualities of metallurgical coal. The metallurgical coal qualities include hard coking coal, semi-hard coking coal, semi-soft coal and pulverized coal injection ("PCI") coal. The Company's Australian Thermal Mining operations consist of mines in New South Wales, Australia. The mines in this segment are characterized by both surface and underground extraction processes used to mine thermal coal. The Company classifies its Australian mines within the Australian Metallurgical Mining or Australian Thermal Mining segments based on the primary customer base and coal reserve type of each mining operation. A small portion of the coal mined by the Australian Metallurgical Mining segment is of a thermal grade. Similarly, a small portion of the coal mined by the Australian Thermal Mining segment is of a metallurgical grade. Additionally, the Company may market some of its metallurgical coal products as a thermal coal product from time to time depending on market conditions.

The Company's Australian Mining Operations have implemented major reductions in cost and capital in recent years. Since its peak in 2012, Australian capital investment has declined more than 90%, while the workforce has decreased 35%, even with rising volumes. Average costs per ton have declined nearly 50% from 2012, aided by changes in currency and fuel costs, owner operator conversions and major process improvements. Australian operations remain core to the Company, despite extremely volatile prices that create substantial earnings and Cash flow variability.

In May 2016, the Company entered into sale and purchase agreements with Australia-based Pembroke Resources to sell non-debtor Peabody Olive Downs Pty Ltd.'s interests in undeveloped metallurgical reserve tenements in Queensland's Bowen Basin for $64.1 million in Cash plus a royalty stream. The transaction, which has been consummated, included the Olive Downs South, the Olive Downs South Extended and the Willunga tenements.

On November 3, 2016, Peabody Australia Mining Pty Ltd, one of PEC's Australian non-debtor subsidiaries, entered into a definitive sale and purchase agreement for the sale of all of the equity interests in Metropolitan Collieries Pty Ltd, the entity that owns the Metropolitan mine in New South Wales, Australia, and the associated interest in the Port Kembla Coal Terminal, to a subsidiary of South32 Limited ("South32"). Pursuant to the agreement, the Company will receive Cash consideration of $200 million, subject to a customary 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] 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.

G. Future Outlook

As the Debtors focus on their emergence from these Chapter 11 Cases, they have identified multiple key drivers of future value creation, including:

- Pursuing safe, low-cost operations, which includes constantly driving down the cost curve, protecting the support the Company's operations receive from the community based on its actions as a responsible operator and pursuing excellence in land restoration;
- Emphasizing the Company's competitive products, productive regions and customers within a core industry;
- Focusing on capital discipline and investments that provide returns in excess of the Company's cost of capital; and
- Engaging in, and advocating for, responsible mining, energy access and clean coal technologies (including focusing on high-efficiency low-emissions and carbon capture, use and storage technologies).

In the U.S., the Debtors hold a portfolio of assets in the PRB and Illinois Basin that continues to generate profits despite lower coal demand and pricing. The Company intends to continue to lower unit costs to generate greater value and better compete with alternative fuels such as natural gas and renewable fuels for electricity generation.

In Australia, the Company has targeted a smaller, more profitable platform focused on (i) premium thermal and metallurgical coal products and (ii) highly productive, lower cost mining assets, in order to serve higher growth markets in Asia. The Company will look to improve or optimize strategic assets, divest, sell or suspend non-strategic assets, and restructure or mitigate take-or-pay agreements to improve cash flows and continue to drive enhancements to the platform.

H. Trading and Brokerage

In addition to its mining operations, the Company marketed and brokered coal primarily across the United States, Australia, Europe and Asia. In total, the Company's 2015 trading and brokerage volumes were approximately 15 million tons, with coal and freight-related contracts, largely in Australia, China, Europe, India, the United Kingdom and the United States. Non-domestic entities engaging in these activities did not seek protection under Chapter 11. The Company acted as both principal and agent in support of various coal production related

[50] 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.

activities that involve coal produced by the Company, coal sourced from third-parties, and off-take agreements with other coal producers. This business segment also provided transportation-related services, which involved financial derivative contracts and physical contracts. This segment included both economic hedging and, from time to time, cash flow hedging in support of the Company's mining operations.

I. Corporate and Other

Prior to the Petition Date, the Company also engaged in, or incurred, corporate hedging activities, selling and administrative expenses, activities associated with the Company's joint ventures, resource management activity and post-mining obligations. These other operations included conducting environmental cleanup activities by Gold Fields Mining, LLC ("Gold Fields"), a dormant, non-coal producing subsidiary of the Company that was managed and owned by Hanson PLC. Hanson PLC, a predecessor owner of the Company, transferred ownership of Gold Fields to the Company in the February 1997 spin-off of its energy business. The Company never managed or operated Gold Fields as an active mining entity.

J. Pension Plans

The Debtors maintain two qualified defined benefit pension plans: (a) the Peabody Investments Corporation Retirement Plan (the "PIC Plan") and (b) the Retirement Plan for Employees of Peabody Western 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]

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., 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]
- 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] 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]
- 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]

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

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

53 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 "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 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).

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]

- $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");
- $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] 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]

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

[57] "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] 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].

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 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] 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] 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.

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[59] "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] 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.

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 Cases. As discussed in Section IV.B.15. below, the Debtors were authorized to continue utilizing the Securitization Facility postpetition.

3. Second Lien Notes

On March 16, 2015, PEC completed the offering of the Second Lien Notes, the proceeds of which were used to fund the purchase of their 7.375% Senior Notes that were due in November 2016 (the "2016 Unsecured Notes") and to redeem the aggregate principal amount of the 2016 Unsecured Notes not tendered in the tender offer. Interest is payable on the Second Lien Notes semi-annually on March 15 and September 15 of each year until March 15, 2022. The Second Lien Notes are secured by a second-priority lien on all of the assets that secure PEC's obligations under the First Lien Credit Agreement, subject to permitted liens and other limitations. The obligations under the Second Lien Notes are guaranteed by the Encumbered Guarantor Debtors and the Gold Fields Debtors. The indenture for the Second Lien Notes also contains a limit, consistent with the First Lien Credit Agreement, on the amount of debt that may be secured by Principal Property and Capital Stock, as defined in the First Lien Credit Agreement. As of the Petition Date, approximately $1.06 billion in principal and accrued interest was outstanding under the Second Lien Notes.

4. The Intercreditor Agreement

Pursuant to Section 2.01 of the certain First Lien/Second Lien Intercreditor Agreement among PEC, as borrower, certain other Debtors as guarantors, Citibank, as Senior Representative for the First Lien Lenders, and U.S. Bank National Association, as the Second Priority Representative for the Second Lien Noteholders (the "Intercreditor Agreement"), any lien on the Shared Collateral securing any obligations under the First Lien Credit Agreement (and other senior secured debt secured on a *pari passu* basis with such obligations) has priority over any lien on the Shared Collateral securing any obligations under the Second Lien Notes Indenture (and other senior secured debt secured on a *pari passu* basis with such obligations). This subordination provision is limited to liens on the Shared Collateral.

Under Section 4.02 of the Intercreditor Agreement, the Second Lien Noteholders must segregate and hold in trust any Shared Collateral or proceeds received in connection with the exercise of any right or remedy relating to the Shared Collateral for benefit of the First Lien Lenders in the same form as received, with any necessary endorsement, until the Debtors' obligations to the First Lien Lenders are satisfied and discharged.

5. 2018 Senior Notes and 2021 Senior Notes

On November 15, 2011, PEC completed the offering of the 2018 Senior Notes and the 2021 Senior Notes primarily to fund the Macarthur Acquisition and related fees and expenses. The 2018 Senior Notes and the 2021 Senior Notes are due on November 15, 2018 and November 15, 2021, respectively. Interest is payable on both on May 15 and November 15 of each year. As of the Petition Date, (i) approximately $1.56 billion in principal and accrued interest was outstanding under the 2018 Senior Notes and (ii) approximately $1.37 billion in principal and accrued interest was outstanding under the 2021 Senior Notes. The 2018 Senior Notes and the 2021 Senior Notes are unsecured obligations of all of the Debtors other than the Unencumbered Debtors and Gib 1.

6. 2020 Senior Notes

On August 25, 2010, PEC completed the offering of the 2020 Senior Notes. The 2020 Senior Notes mature on September 15, 2020 with interest payments due semiannually on March 15 and September 15. As of the Petition

Date, approximately $674 million in principal and accrued interest was outstanding under the 2020 Senior Notes. The 2020 Senior Notes are unsecured obligations of all of the Debtors other than the Unencumbered Debtors and Gib 1.

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,[61] 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 meet diligent development requirements, the lessee must extract one percent of lease recoverable reserves within that ten-year

[61] 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.

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] 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 disagree with the positions taken by the Citizen Groups as discussed in greater detail in Section IV.I.

[62] 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.

	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.

F. Regulatory Compliance Costs

The coal industry is heavily regulated by federal, state and local authorities with respect to, among other things, (a) permitting and licensing requirements, (b) air and water emissions, (c) property reclamation, (d) soil remediation, (e) protection of surface and groundwater and (f) surface subsidence from underground mining.

G. Black Lung Benefit Obligations

Pursuant to the Black Lung Benefits Act (the "Black Lung Act"), certain of the Debtors pay benefits (the "Black Lung Benefits") to certain miners diagnosed with black lung and their eligible dependents. Based on recent studies, experience and certain demographic assumptions, the Debtors estimated, as of the Petition Date, that their Black Lung Benefits expenditures for 2016 would be essentially flat when compared to 2015 expenditures of approximately $2 million.

The Debtors are secondarily liable for the Black Lung Benefits liabilities related to workers employed by Patriot Coal Corporation ("Patriot") subsidiaries that previously (prior to a 2007 spinoff transaction) were subsidiaries of certain of the Debtors. For the period ending on March 31, 2016, the Debtors estimated these Patriot-related Black Lung Benefits obligations to be approximately $131 million.

H. UMWA District 22 Collective Bargaining Agreement

As of the Petition Date, the Debtors collectively had approximately 300 active employees that were represented by a union. These represented employees are employed by Debtor PWCC and represented by the UMWA District 22. The collective bargaining agreement between the UMWA and PWCC expires on September 16, 2019.

I. PEC Interests

The New York Stock Exchange (the "NYSE") suspended trading in the common stock of PEC on April 13, 2016 following the commencement of the Chapter 11 Cases. As of September 30, 2016, PEC had 53.3 million shares of common stock authorized, 19.3 million of shares of common stock issued and 18.5 million shares of common stock outstanding. As of the date of this Disclosure Statement, PEC's stock is trading on the OTC Pink Sheets marketplace under the symbol BTUUQ.

In 2015, PEC established the 2015 Long-Term Incentive Plan (the "2015-LTIP") to attract and retain employees, consultants and non-employee directors. This program allows for the grant of share-based compensation in various forms, including, among other things, restricted stock, stock units, stock options and deferred stock units. Under the 2015-LTIP, 1.2 million shares of PEC's common stock were authorized for issuance. PEC also had two employee stock purchase plans, which provided for the purchase of up to 100,000 shares of PEC common stock. Due to the low number of shares available for employee purchase, coupled with the Company's low stock price, both employee stock purchase plans terminated in October 2015.

J. Events Leading to the Commencement of the Chapter 11 Cases

1. The Debtors' Declining Financial Performance

Over the past several years leading up to the Debtors' chapter 11 filing, global coal producers encountered reduced demand and lower coal prices created by sluggish economic growth, weakening Chinese coal imports, a reduction in coal-fueled power generation, increasing competition from alternative fuels used in power generation, including abundant low-priced natural gas and increased regulatory hurdles. These factors drove a wide range of product prices lower in 2015.

The industry experienced worldwide reductions in the demand for steel primarily due to reduced economic growth and oversupply in the property sector that resulted in a drop in demand for metallurgical coal imports. In 2015, global demand for seaborne metallurgical coal declined by approximately 15 million tonnes or 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")[63] 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 and other obligations. The letters of credit were in place to support various types of obligations, though the most significant items related to bank guarantees in place for certain coal mining reclamation obligations in Australia. Subsequent to the Petition Date, certain counterparties drew on a portion of those letters of credit. The draws required the recording of previously off-balance sheet liabilities, except in certain instances where the Company had previously recorded a liability, and as such have been reflected as additional borrowings under the Revolving Credit Facility.

2. The Debtors' Efforts to Realign Their Business Operations and Maximize Profitability

At the corporate level during 2012 through 2016, the Company created a leaner organizational structure by eliminating over 45% of corporate positions and reducing SG&A Expenses to the lowest levels in nearly a decade. Actions also included closing multiple regional and global business offices, streamlining reporting relationships, reducing or eliminating entire layers of management and implementing a shared services model to reduce costs and cut out duplication. As a result, the Company reduced annual SG&A Expenses by 28%, or nearly $70 million, from 2013 to 2015. SG&A has remained constant as a percent of revenue since 2012, despite $4 billion in lower revenues in 2016. The Company maintained one of the lowest SG&A expense-to-revenues ratios in the industry despite its international reach.

The Company also reduced capital spending by 35% in 2015, resulting in the lowest level of capital spending in nearly a decade. Based on guidance provided as of February 11, 2016, the Debtors anticipated prior to their Chapter 11 filings, that capital expenditures in 2016 would also be reduced to $120–$140 million, with a focus on safety initiatives and sustaining lower production levels.

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[63] 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.

In addition to such operational measures, beginning in 2015, the Company moved to shed non-core assets. In 2015, the Company realized cash proceeds of $70 million related to their ongoing resource management activities through the sale of surplus land and coal reserves. In addition, on November 20, 2015, the Company entered into a purchase and sale agreement with a subsidiary of Bowie pursuant to which the Company agreed to sell its El Segundo and Lee Ranch coal mines and related assets located in New Mexico and the Twentymile Mine in Colorado for $358 million. The closing of the Four Star Transaction was scheduled to occur during the first fiscal quarter of 2016 but was delayed due to the buyer's inability to secure financing for this transaction in addition to its own debt restructuring or refinancing. The transaction was terminated shortly before the Petition Date.

Though the Debtors and their advisors engaged in extensive negotiations with key debt holders regarding possible out-of-court alternatives prior to the Petition Date, including potential debt buybacks, debt exchanges and new financing to improve the Debtors' liquidity and reduce their financial obligations, it became increasingly apparent that the parties would be unable to reach an agreement on any transaction that met the Debtors' objectives around liquidity. In addition, as it became clear that the Four Star Transaction would not close by the end of the first quarter, the Company's ability to maintain compliance with various covenants set forth in the First Lien Credit Agreement was put in jeopardy. These factors, in concert with the accelerating deterioration in industry conditions and rapidly increasing capital calls, put sufficient pressure on the Debtors' liquidity that they commenced the Chapter 11 Cases.

IV.

THE CHAPTER 11 CASES

A. Voluntary Petitions

The Debtors commenced their reorganization cases on the Petition Date by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. By an order of the Bankruptcy Court, entered on April 14, 2016, the Chapter 11 Cases have been consolidated for procedural purposes only and are being jointly administered. The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

The Debtors have continued, and will continue until the Effective Date, to manage their properties as debtors-in-possession, subject to the supervision of the Bankruptcy Court and in accordance with the provisions of the Bankruptcy Code. Immediately upon the filing of the Chapter 11 Cases, the automatic stay under section 362 of the Bankruptcy Code took effect, which, with limited exceptions, enjoined (1) the commencement or continuation of all collection efforts by creditors, (2) the enforcement of liens against any assets of the Debtors and (3) litigation against the Debtors.

B. First Day Relief

On the Petition Date, the Debtors filed various motions for relief and other pleadings (collectively, the "First Day Motions"). Generally, the First Day Motions were designed to meet the goals of (1) preserving and protecting the Debtors' chapter 11 estates, including by paying certain claims of employees, (2) obtaining necessary debtor in possession financing to provide the Debtors' estates with sufficient liquidity to operate and (3) establishing procedures for the smooth and efficient functioning of the Debtors' estates.

The First Day Motions were proposed to ensure the Debtors' orderly transition into chapter 11. The Bankruptcy Court granted the relief requested in the First Day Motions, as described below, with, in certain cases, adjustments or modifications to accommodate the concerns of the Bankruptcy Court, the Office of the United States Trustee for Region Thirteen (the "United States Trustee") and other parties in interest.

1. Cash Management

By a final order entered on May 17, 2016, the Bankruptcy Court authorized the Debtors to continue using: (a) their prepetition consolidated cash management system between Debtors and non-debtor affiliates (the "Cash

Management System"); (b) their existing bank accounts; and (c) their business forms. In addition, the Bankruptcy Court authorized the Debtors to open and close bank accounts and to continue intercompany funding between Debtors and non-Debtor affiliates, including by (a) granting superpriority administrative expense status to all postpetition claims arising therefrom and (b) allowing the Debtors to reconcile and set off any mutual prepetition and postpetition obligations between Debtors arising from such transactions through the Cash Management System.

2. Employee Wages and Benefits

By an order entered on April 14, 2016 (the "Wages and Benefits Order"), the Bankruptcy Court granted the Debtors authority to pay and honor, in the ordinary course of business and in their sole discretion, (a) certain prepetition claims and obligations related to employee wages and benefits, as well as various related costs, expenses, deductions and withholdings and (b) continue the payment of certain postpetition employee wages, benefits, awards and the non-insider short-term incentive plan (the "Non-Insider STIP") (with the exception of the non-insider long term incentive plan (the "Non-Insider Prepetition LTIP")). The Bankruptcy Court entered an order authorizing the Debtors, in their discretion, to continue the Non-Insider Prepetition LTIP on May 17, 2016.

3. Workers' Compensation Program and Insurance Policies

The Debtors obtained a final order on May 17, 2016 authorizing them to (a) maintain their prepetition workers' compensation program, including coverage for black lung claims under applicable state and federal law, (b) continue processing workers' compensation claims in the ordinary course, (c) continue paying self-insured workers' compensation claims and deductible costs and (d) pay prepetition workers' compensation liabilities and obligations owing under the Debtors' insurance policies.

By the same order, the Bankruptcy Court authorized the Debtors to maintain and perform under numerous insurance policies that provide coverage for, among other things, (a) general commercial liability, (b) property damage, (c) environmental liability, (d) automobile damage and liability, (e) aviation liability, (f) marine liability, (g) directors and officers liability, (h) transit damage and (i) crime and fiduciary liability.

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.

11. Adequate Assurance of Payment of Utilities

To comply with the requirements of section 366 of the Bankruptcy Code, the Debtors sought and obtained an order on April 15, 2016, authorizing them to (a) establish adequate assurance by depositing approximately $1.3 million (equal to the Debtors' historical average two weeks' costs for all utility expenses) into a segregated, interest bearing account within ten days of the Petition Date to be applied to any postpetition defaults in payment to any utility company by the Debtors and (b) reach separate agreements with utilities to resolve disputes over payment.

12. Equity Securities and Claims Trading Procedures

The Debtors also obtained a final order on May 17, 2016 (a) establishing notice and objection procedures regarding certain transfers of equity securities in Debtor PEC, (b) establishing a record date for notice and potential sell-down procedures for trading in claims against the Debtors' estates and (c) granting certain other relief related to the preservation of net operating losses for U.S. federal income tax purposes and certain other tax attributes.

13. Appointment of Foreign Representative for Peabody Holdings (Gibraltar) Limited

As noted above, one of the Debtors in these Chapter 11 Cases, Gib 1, is a foreign entity, incorporated in Gibraltar. On April 15, 2016, the Debtors obtained an order from the Bankruptcy Court authorizing the appointment of PEC's Chief Financial Officer, Ms. Amy B. Schwetz, as the foreign representative of Gib 1 to help facilitate Gib 1's efforts to have its chapter 11 case recognized as a "foreign proceeding" in Gibraltar. On April 22, 2016, the Supreme Court of Gibraltar, Chancery Jurisdiction (the "Gibraltar Court"), entered an interim order recognizing Gib 1's chapter 11 case. On May 31, 2016, the Gibraltar Court entered a final order recognizing Gib 1's chapter 11 case. On August 1, 2016, the Gibraltar Court entered an amended order recognizing Gib 1's Chapter 11 Case.

14. ADM Agreement

The Debtors entered into a clearing agreement (the "ADM Agreement") prepetition to consummate their exchanged-settled transactions. In order to ensure the continuation of their trading and brokerage business postpetition, the Debtors obtained a final order on May 17, 2016, from the Bankruptcy Court authorizing them to (a) perform under the ADM Agreement, including by entering into, consummating and performing transactions under the ADM Agreement and (b) provide credit support to ADM Investor Services, Inc. ("ADM") postpetition, including prepaying obligations and pledging collateral, without prior consent from the Creditors' Committee or the requisite lenders under the DIP Facility Credit Agreement and the Securitization Facility, up to $2.5 million.

15. Securitization Facility

As discussed in Section III.A.2. above, the Debtors maintain a Securitization Program through which they have access to a Securitization Facility, which is maintained through P&L Receivables, a non-Debtor affiliate. Prepetition, the Securitization Program helped provide liquidity and letters of credit for the Company. In order to continue the Securitization Facility postpetition, the Debtors obtained a final order (the "Final ARS Order") on May 18, 2016 (a) authorizing certain Debtors to continue selling and contributing receivables pursuant to the Securitization Facility, (b) allowing the Debtors and P&L Receivables to enter into negotiated agreements with the Administrator postpetition (the "Amended Purchase Agreements"), (c) granting superpriority claims to the Securitization Purchasers for certain obligations owed by the Debtors under the Amended Purchase Agreements and (d) granting the Securitization Purchasers liens in receivables sold postpetition and certain related collateral.

C. Retention of Professionals and Advisors

1. Retention of Professionals Involved In These Chapter 11 Cases

After the commencement of the Chapter 11 Cases, the Debtors obtained Bankruptcy Court approval for the retention of: (a) Jones Day, as lead bankruptcy counsel; (b) Armstrong Teasdale LLP, as co-counsel; (c) Lazard Frères & Co. LLC, as investment banker; (d) FTI Consulting, Inc., as financial advisor; (e) Quinn Emanuel Urquhart & Sullivan, LLP, as special litigation counsel; (f) Kurtzman Carson Consultants, LLC, as claims, noticing and balloting agent; (g) Ernst & Young LLP, as auditors and tax advisors; (h) KPMG LLP, as tax advisors; and (i) Wilmer Cutler Pickering Hale and Dorr LLP, as special regulatory counsel, in these Chapter 11 Cases (collectively, the "Professionals").

These applications were granted with certain adjustments or modifications to accommodate the concerns of the Bankruptcy Court, the United States Trustee, the Creditors' Committee and other parties in interest. In connection with these applications, the Debtors sought and obtained an order from the Bankruptcy Court on May 17, 2016, authorizing the Debtors to establish procedures for interim monthly compensation of professionals (the "Interim Compensation Order"). Under the Interim Compensation Order, the Debtors are required to make interim payments to each Professional equal to the lesser of (a) 80% of the fees and 100% of the expenses or (b) 80% of the fees and 100% of the expenses not subject to a Monthly Statement Objection (as defined in the Interim Compensation Order) within 14 days of service of the Professional's monthly fee statement. Professionals are also required to submit an application for interim or final (as applicable) compensation to the Bankruptcy Court for approval and allowance of compensation and reimbursement of expenses within 30 days of the end of each interim fee period and every successive four-month period thereafter.

2. Retention of Ordinary Course Professionals

The Debtors also sought and obtained approval to employ certain professionals not involved in the administration of the Chapter 11 Cases in the ordinary course of business. Pursuant to the Bankruptcy Court's order on May 17, 2016 (the "Ordinary Course Professional Order"), the Debtors may employee professionals (each, an "OCP") in the ordinary course without further approval from the Bankruptcy Court so long as the OCP's fees do not exceed $75,000 per month or $750,000 in the aggregate during these Chapter 11 Cases. Compensation in excess of these amounts is subject to the requirements outlined in the Ordinary Course Professional Order.

D. Statutory Committees

1. The Creditors' Committee

On April 29, 2016, the United States Trustee appointed the Creditors' Committee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code. The seven original members of the Creditors' Committee were: (a) Wilmington Trust Company, as indenture trustee to the Unsecured Senior Notes; (b) Wilmington Savings Fund Society FSB ("Wilmington Savings Bank"), as Second Lien Notes Indenture Trustee; (c) the UMWA 1974 Pension Plan and Trust; (d) Pension Benefit Guaranty Corporation; (e) Kinder Morgan, Inc.; (f) Wagner Equipment Co.; and (g) Dyno Nobel Inc. On January 4, 2017, the United States Trustee added MacAllister Machinery Co., Inc. and BOK Financial to the now nine-member Creditors' Committee.

Counsel to the Creditors' Committee are Morrison & Foerster LLP (lead counsel) and Spencer Fane LLP (local co-counsel). The Creditors' Committee also retained: (a) Berkeley Research Group, LLC, as financial advisor; (b) Curtis, Mallet-Prevost, Colt & Mosle LLP, as conflicts counsel, (c) Jefferies LLC, as investment banker and (d) Blackacre LLC, as independent expert.

2. Request to Appoint an Equity Committee

On November 18, 2016, PEC shareholder Mangrove Partners Master Fund Ltd. ("Mangrove") sent a letter to the United States Trustee requesting the appointment of an official committee of equity security holders. The Debtors opposed Mangrove's request, and on December 7, 2016, the United States Trustee denied Mangrove's request. On December 8, 2016, Mangrove filed a Motion for an Order Appointing an Official Committee of Equity Security Holders [Docket No. 1731]. The Bankruptcy Court held a hearing to consider the motion on January 19, 2017. The motion was denied.

E. Postpetition Financing

The Debtors' businesses are cash intensive, with significant daily costs to produce and ship coal to customers, satisfy obligations to employees, maintain the safety of their mines and other facilities and fulfill environmental and other regulatory requirements. As such, in connection with their preparations for the commencement of the Chapter 11 Cases, the Debtors determined that they would require immediate access to postpetition financing and the use of cash collateral to operate their businesses, preserve value and pursue their restructuring goals.

1. The DIP Facility

The Debtors filed a motion (the "DIP Motion") on the Petition Date seeking approval of the DIP Facility under the DIP Facility Credit Agreement by and among PEC as borrower, Global Funding and certain Debtors party thereto as guarantors (the "DIP Guarantors," and together with PEC, the "Loan Parties"), the DIP Facility Lenders and Citibank (the "DIP Facility Agent"), as Administrative Agent and L/C Issuer. On April 14, 2016 and May 18, 2016, the Bankruptcy Court issued orders approving the DIP Facility on an interim and final basis, respectively (the May 18, 2016 order, the "Final DIP Order"). As discussed below, the Debtors terminated the DIP Facility Credit Agreement upon providing full repayment of all amounts outstanding under the DIP Facility Credit Agreement on December 15, 2016.

The DIP Facility Credit Agreement provided for: (a) a term loan (the "DIP Term Loan Facility") not to exceed $500 million, secured by substantially all of the assets of the Debtors, subject to certain excluded assets and carve outs (the "DIP Collateral"), which was used to (i) fund operations, (ii) to cash collateralize certain letters of credit and (iii) for the issuance of new letters of credit; (b) a cash collateralized letter of credit facility in the aggregate amount of up to $100 million (the "L/C Facility"); and (c) an accommodation facility for states that make a demand for a surety bond, letter of credit or other financial assurance, pursuant to applicable state law (collectively, the "Bonding Requests") by Bonding Beneficiaries (as that term is defined in the DIP Facility Credit Agreement) in the form of (or in any combination of) (i) a carve out and/or Bonding Facility Letter of Credit (as defined below) in the maximum aggregate amount of $200 million, which maintains priority over the DIP Facility

obligations other than letter of credit obligations and certain fee obligations under the DIP Order (the "Bonding Carve Out") and/or (ii) the issuance of letters of credit under the DIP Facility Credit Agreement secured by cash collateral (the "Bonding Facility Letters of Credit" and, together with the Bonding Carve Out, the "Bonding Accommodation Facility"), in an aggregate stated amount of up to $200 million to provide additional support for its then $1.148 billion in reclamation obligations. As discussed in detail in Section IV.J. herein, the Bonding Accommodation Facility provided the Debtors with the ability to satisfy financial assurance requests by governmental agencies under state reclamation laws in the form of either an allowed "superpriority" administrative expense claim under section 364 of the Bankruptcy Code in the Chapter 11 Cases, or the posting of a cash collateralized letter of credit. The aggregate face amount of all letters of credit issued under the Bonding Accommodation Facility and L/C Facility was not permitted to exceed $50 million at any time without DIP Facility Lenders' consent.

Borrowings under the DIP Term Loan Facility could be made as either a Eurocurrency Rate Loan or a Base Rate Loan (as those terms were defined in the DIP Facility Credit Agreement). A Eurocurrency Rate Loan accrued interest at LIBOR + 9.0%, with a LIBOR floor of 1.00%. A Base Rate Loan accrued interest at the Base Rate (as defined in the DIP Facility Credit Agreement) plus 8.0%, with a Base Rate floor of 2.0%.

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]
- Not later than December 22, 2016, the filing of an Acceptable Reorganization Plan;[65]
- Not later than January 31, 2017, entry of an order approving a disclosure statement for an Acceptable Reorganization Plan; and

[64] 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] "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.

- 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] (b) 45 days after entry of the Interim Order if the Final Order has not been entered prior to the expiration of such 45-day period; (c) the substantial consummation of a plan of reorganization Filed in these Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court; (d) the acceleration of the loans and the termination of commitments with respect to the DIP Facility Credit Agreement; and (e) a sale of all or substantially all of the assets of PEC (or the Loan Parties) pursuant to section 363 of the Bankruptcy Code.

2. Repayment of the DIP Obligations

Under section 2.06(a) of the DIP Facility Credit Agreement, the Debtors had the right to exercise early repayment of the full amounts outstanding under the DIP Facility Credit Agreement (the "DIP Obligations") upon notice to the DIP Facility Agent three business days prior to repayment, which requirement was subsequently waived by the DIP Lenders in connection with DIP Amendment No. 6 and the motion to repay the DIP Facility. On December 2, 2016, the Debtors filed a motion to authorize the repayment of the DIP Obligations and confirm the Debtors' continued use of cash collateral after satisfaction of the DIP Obligations. The Debtors estimated that paying off the DIP Obligations prior to maturity would save the Debtors' estates in excess of $12 million in interest payments that would otherwise accrue and be payable on account of the DIP Facility. Further, the Debtors believe they have sufficient cash to operate their business even following repayment of the DIP Obligations. The Bankruptcy Court granted the motion to repay the DIP Obligations on December 14, 2016 in the DIP Facility Repayment Order (as defined in the Plan). On December 15, 2016, the Debtors repaid in full the DIP Obligations. Upon making this payment, the Debtors' obligations under the DIP Facility Credit Agreement were satisfied in full and the DIP Facility Credit Agreement was terminated. For a discussion of treatment of Contingent DIP Facility Claims under the Plan, see Section V.C.1. herein.

3. Adequate Protection

Subsequent to amendments to the DIP Facility Credit Agreement, as discussed more fully below, the Final DIP Order provided the Debtors' First Lien Lenders and the Second Lien Noteholders with adequate protection in the form of, among other things, certain Adequate Protection Obligations and Adequate Protection Liens (as defined below). Under the Final DIP Order, the First Lien Lenders receive adequate protection in the form of (a) cash payments (subject to recharacterization as principal repayments) and reasonable fees and expenses of professionsals, (b) replacement liens (in the form of replacement or new liens on the collateral junior to the liens securing the DIP Facility but senior to the adequate protection liens granted to the Second Lien Noteholders) (the "Senior Lender Adequate Protection Liens") should there be diminution in the value of their collateral, (c) 507(b) Claims should there be diminution in the value of their collateral, (d) reporting requirements and (e) certain First Lien Adequate Protection Milestones (the "Senior Lender Adequate Protection Obligations"). The Second Lien Noteholders' are entitled to receive as adequate protection (the "Noteholder Adequate Protection Obligations," and together with the Senior Lender Adequate Protection Obligations, the "Adequate Protection Obligations"), replacement, or, if applicable, new liens on the collateral (the "Noteholder Adequate Protection Liens," and together with the Senior Lender Adequate Protection Liens, the "Adequate Protection Liens") subject and subordinate to the liens of the DIP

[66] "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.

Facility Lenders, the Senior Lender Adequate Protection Liens, the Fees Carve-Out, the Bonding Carve Out (as those terms are defined in the DIP Facility Credit Agreement) and the First Lien Lenders' secured interests.

On December 14, 2016, the Bankruptcy Court approved a stipulation that amended the Final DIP Order to extend the Adequate Protection Milestones (as defined in the Final DIP Order) related to the Debtors' continued use of Cash Collateral (as defined in the Final DIP Order), including an extension of the date on which the Debtors must file a plan of reorganization and related disclosure statement to December 21, 2016. On December 21, 2016, the Bankruptcy Court approved a stipulation that amended the Adequate Protection Milestones related to the Debtors' continued use of Cash Collateral, including an extension of the date on which the Debtors must file a plan of reorganization and related disclosure statement to December 22, 2016. As a result, the Debtors are required to file with the Bankruptcy Court a plan of reorganization and disclosure statement with respect thereto by December 22, 2016.

4. Amendments to the DIP Facility Credit Agreement

a. **Amendment No. 1**

On May 9, 2016, the Debtors entered into Amendment No. 1 to the DIP Facility Credit Agreement. Amendment No. 1, among other things, extended the deadline in Section 6.19(c) thereof for PEC to commence a declaratory judgment action seeking a determination of the CNTA Issues to the earlier of (i) the date that is three business days after the date of the entry of the Final DIP Order or (ii) the date that is 45 days following the Petition Date (or May 28, 2016).

b. **Amendment No. 2**

On May 18, 2016, the Debtors entered into Amendment No. 2 to the DIP Facility Credit Agreement. Amendment No. 2 extended the deadline in Section 6.19(d) thereof for the Debtors to file an acceptable plan of reorganization and related disclosure statement in these Chapter 11 Cases to the later of (i) the date an order is entered in the CNTA Dispute Adversary Proceeding or (ii) the date that is 210 days following the Petition Date.

c. **Amendment No. 3**

On August 1, 2016, the parties entered into Amendment No. 3 to extend the deadline in Section 6.19(c)(ii) thereof for the Bankruptcy Court to have entered an order on the CNTA Issues from 180 days following the Petition Date to 181 days following the Petition Date. The Bankruptcy Court entered an order approving the stipulation and order regarding Amendment No. 3 on August 1, 2016.

d. **Amendment No. 4**

On October 11, 2016, the Debtors entered into Amendment No. 4 to the DIP Facility Credit Agreement. Amendment No. 4, among other things, (i) extended the deadline in Section 6.19(c)(ii) thereof for the entry of an order resolving the CNTA Dispute to November 23, 2016, (ii) extended the deadline in Section 6.19(d) thereof for the Debtors to file an Acceptable Reorganization Plan to December 14, 2016 and (iii) extended the deadline in Section 6.19(e) thereof for entry of an order approving the disclosure statement for an Acceptable Reorganization Plan to January 31, 2017.

The DIP Facility Credit Agreement contains restrictions on the ability of Global Funding to amend or waive provisions under Intercompany Credit Agreement in a manner that would release or subordinate more than 50% of the collateral thereunder. Amendment No. 4 modified these restrictions to expressly allow Global Funding to amend or waive provisions under the Intercompany Credit Agreement to permit the release or subordination of collateral thereunder, including as a result of potential asset sales, of up to $250,000,000 in cash proceedings in the aggregate over the life of the Intercompany Credit Agreement. The Bankruptcy Court entered an order approving the stipulation and order regarding Amendment No. 4 on October 11, 2016.

e. **Amendment No. 5**

On November 23, 2016, the Bankruptcy Court approved a stipulation filed by the Debtors relating to Amendment No. 5 to the DIP Facility Credit Agreement. Amendment No. 5 removed the requirement that the Bankruptcy Court must enter an order determining the CNTA Issues. The CNTA Order Date Milestone had previously been November 23, 2016.

f. **Amendment No. 6**

On December 14, 2016, the Bankruptcy Court approved a stipulation filed by the Debtors which removed any deadline in the DIP Facility Credit Agreement by which the Debtors must file with the Bankruptcy Court a plan of reorganization or disclosure statement with respect thereto.

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 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 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 ("Megawatt") and guaranteed by Bowie, under that certain Purchase and Sale Agreement, dated November 20, 2015, by and between Four Star and Megawatt (the "Four Star Sale Agreement") whereby Megawatt agreed to pay Four Star $20 million should Megawatt fail to obtain the necessary financing to close the Four Star Transaction under the Four Star Sale Agreement. Bowie filed an answer and asserted its counterclaims on August 17, 2016. On November 17, 2016, the Creditors' Committee intervened as a party in interest in the adversary proceeding. The parties completed discovery on December 16, 2016. Four Star and Bowie each filed a motion for summary judgment on December 20, 2016. On January 6, 2017, the Creditors' Committee filed a joinder to Four Star's summary judgment motion. A trial in the consolidated proceedings was scheduled for January 24, 2017, however, on January 12, 2017, the Bankruptcy Court entered an *Order Vacating Trial Setting and Suspending Compliance with Deadlines* (Adv. Docket No. 123) that vacated the trial and suspended all deadlines related to this adversary proceeding. The Debtors anticipate that the Bankruptcy Court will adjudicate the summary judgment motions and resolve this adversary proceeding.

The Four Star Debtors, including Four Star, that were to be sold to Megawatt in connection with the Four Star Transaction, are each an "Unencumbered Debtor" (see Section I.B.5. herein). As a result, the First Lien Lenders, the Second Lien Noteholders and the holders of the Unsecured Senior Notes are not entitled to recovery from any proceeds of Four Star's litigation against Bowie. Instead, any recovery in this litigation is an unencumbered asset of Four Star's Estate that will be available for distribution to the remainder of Four Star's creditors, and, to the extent unsecured claims against the Four Star Debtors are paid in full, will inure to the benefit of unsecured claims against the Encumbered Guarantor Debtors by virtue of their unpledged equity ownership of the Four Star Debtors.

3. Other Litigation

a. **ERISA Litigation**

The litigation captioned *Lori J. Lynn, et al., v. Peabody Energy Corp., et al.*, Case No. 4:15-cv-00916-AGF (the "ERISA Litigation") is a putative class action under ERISA. The plaintiffs in the ERISA Litigation allege, on behalf of the Peabody Investments Corp. Employee Retirement Account, the Peabody Western-UMWA 401(k) Plan, and the Big Ridge, Inc. 401(k) Profit Sharing Plan and Trust (collectively, the "Retirement Plans"), themselves, and a class of allegedly similarly situated participants in the Retirement Plans (the "Putative Class"), that the defendants in the ERISA Litigation breached their fiduciary duties under ERISA by, *inter alia*, allowing and maintaining the investment of the Retirement Plans' assets in stock of PEC. Following the Petition Date, PEC, PIC, and Peabody Holding Company, LLC (the "Debtor Defendants") were dismissed from the ERISA Litigation without prejudice due to the imposition of the automatic stay under section 362 of the Bankruptcy Code. The ERISA Plaintiffs have filed proofs of claim on behalf of the Retirement Plans, the Putative Class, and themselves against each of the Debtor Defendants.

b. **Berenergy Litigation**

The Company has been in a legal dispute with Berenergy Corporation ("Berenergy") regarding Berenergy's access to certain of its underground oil deposits beneath the Company's North Antelope Rochelle Mine and contiguous undisturbed areas. The Company believes that any claims related to this matter constitute prepetition claims. On October 13, 2016, the Sixth Judicial Court in the state of Wyoming ("Wyoming Court") entered an order allowing the Company the right to mine through certain wells owned by Berenergy but required the Company to compensate Berenergy for damages of $0.9 million, which the Company has accrued as of September 30, 2016.

Further, the Wyoming Court ruled that should Berenergy obtain approval from the Wyoming Oil and Gas Conservation Commission (the "Commission") to recover certain secondary deposits beneath the mine's contiguous undisturbed areas, the Company would be liable to Berenergy for the cost of certain special procedures and equipment required to access the secondary deposits remotely from outside the Company's mine area, which has been estimated as $13.1 million by Berenergy. The Company believes it is not probable that the Commission will approve access to the secondary deposits based on the Company's view of a lack of economic feasibility and certain restrictions on Berenergy's legal claim to the deposits. On October 21, 2016, Berenergy filed a motion to lift the automatic stay to allow it to appeal the October 13, 2016 Wyoming 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., 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., 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., 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., 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 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 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. 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] During the pendency of these Chapter 11 Cases, the Self-Bonding Stipulations provide the Self-Bonding States with a portion of the Bonding Carve Out that is equal to approximately 17.5% of the Debtors' reclamation bond amount with each Self-Bonding State in addition to resolving various disputes between and among the Debtors and the Self-Bonding States regarding the Debtors' compliance with each Self-Bonding State's applicable self-bonding regulation, as described below. As discussed

[67] 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.

above, the Debtors have repaid their obligations under the DIP Facility Credit Agreement in full as of December 15, 2016. The DIP Facility Repayment Order provides comfort that the repayment of DIP Obligations in full does not impact any rights of any of the Self-Bonding States in respect of the Bonding Superpriority Claim granted under any of the Self-Bonding Stipulations.

1. The Wyoming Settlement

On August 18, 2016, the Bankruptcy Court entered a stipulation and order (the "Wyoming Settlement") resolving disputes between the Debtors and Wyoming and the WDEQ over the Debtors' continued ability to qualify for self-bonding after commencement of these Chapter 11 Cases. As of the Petition Date, the Debtors had $726.8 million in self-bonding coal mine obligations for coal mine reclamation in connection with their Wyoming coal mining operations (the "Wyoming Reclamation Bond Amount"). The Wyoming Settlement resolves disputes between the Debtors that are party to the Wyoming Settlement (the "Wyoming Mine Debtors") and Wyoming and the WDEQ over (a) the Wyoming Mine Debtors' ability to qualify for self-bonding under Wyoming law during the pendency of the Chapter 11 Cases and (b) Wyoming's ability to require the Wyoming Mine Debtors to post additional collateral or alternative bonds to satisfy the Wyoming Mine Debtors' Coal Mine Reclamation Obligations in Wyoming. The Wyoming Settlement, among other things: (a) granted the WDEQ a Bonding Superpriority Claim in the amount of approximately $126.9 million against the Wyoming Mine Debtors in order to satisfy the Wyoming Mine Debtors' Coal Mine Reclamation Obligations in Wyoming during the pendency of the Chapter 11 Cases and provided WDEQ with a letter of credit or surety bond equal to $800,000 for closed mining operations; (b) ensured that Wyoming would not seek additional collateral or otherwise affect the mining permits or licenses on account of the Wyoming Mine Debtors' ability to comply with coal mine reclamation bonding obligations; (c) required the Wyoming Mine Debtors to use their reasonable best efforts to reduce the Wyoming Reclamation Bond Amount by $20 million; and (d) provided for quarterly coal mine reclamation activity status meetings between the WDEQ and the Wyoming Mine Debtors.

2. The New Mexico Settlement

As of the Petition Date, the Debtors had approximately $181 million in self-bonding obligations for coal mine reclamation in connection with their New Mexico coal mine operations (the "New Mexico Reclamation Bond Amount"). On April 5, 2016, New Mexico notified Debtor Peabody Natural Resource Company ("PNRC") that it must post a third-party performance bond for 20% of the New Mexico Reclamation Bond Amount because PNRC and its guarantors allegedly no longer qualified for 100% self-bonding.

The Bankruptcy Court entered a stipulation and order (the "New Mexico Settlement") on August 18, 2016, to resolve disputes between the Debtors that are party to the New Mexico Settlement (the "New Mexico Mine Debtors") and New Mexico and the Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department (the "New Mexico MMD") over (a) the New Mexico Mine Debtors' ability to qualify for self-bonding under New Mexico law during these Chapter 11 Cases and (b) New Mexico's ability to require the New Mexico Mine Debtors' to post additional collateral or alternative bonds to satisfy the New Mexico Mine Debtors' Coal Mine Reclamation Obligations in New Mexico. The New Mexico Settlement, among other things: (a) granted New Mexico a Bonding Superpriority Claim in the amount of approximately $31.6 million against the New Mexico Mine Debtors party to the New Mexico Settlement in order to secure the New Mexico Mine Debtors' Coal Mine Reclamation Obligations in New Mexico during the pendency of the Chapter 11 Cases; (b) ensured that New Mexico would not seek additional collateral or otherwise affect the mining permits or license on account of the New Mexico Mine Debtors' ability to comply with New Mexico reclamation law; (c) required the New Mexico Mine Debtors to use their reasonable best efforts to reduce the total amount of the New Mexico Reclamation Bond Amount by at least $5 million; and (d) provided for quarterly coal mine reclamation activity status meetings between the New Mexico MMD and the New Mexico Mine Debtors.

3. The Indiana Settlement

Following commencement of the Chapter 11 Cases, the Indiana Department of Natural Resources ("IDNR") asserted concern about the ability of certain Debtors with self-bonding obligations in Indiana (the "Indiana Mine Debtors") to qualify for self-bonding and suggested that the Indiana Mine Debtors may be required to replace their $145.2 million in self-bonds (the "Indiana Reclamation Bond Amount") with third party surety instruments.

On July 22, 2016, the IDNR notified the Indiana Mine Debtors that their financial reporting requirements were inadequate under Indiana law and the Indiana Mine Debtors disagreed. In order to resolve these disputes, the Debtors and the IDNR entered into a stipulation and order, approved by the Bankruptcy Court on August 18, 2016, (the "Indiana Settlement"). The Indiana Settlement provides that (a) Indiana will have a Bonding Superpriority Claim in the approximate amount of $17.9 million against the Indiana Mine Debtors and (b) the Indiana Mine Debtors will post a collateral bond in the amount of approximately $7.5 million (consisting of Bonding Facility Letters of Credit, third party commercial surety bonds or cash deposits) to secure the Coal Mine Reclamation Obligations related to the Indiana Mine Debtors' Indiana Closed Operations (as defined in the Indiana Settlement). The Indiana Settlement also provides, among other things that: (a) Indiana will not seek additional collateral or otherwise affect the Indiana Mine Debtors' mining permits on account of the Indiana Mine Debtors' ability to comply with Indiana reclamation law; (b) the Indiana Mine Debtors will use their reasonable best efforts to reduce the Indiana Reclamation Bond Amount by at least $10 million; and (c) the IDNR and the Indiana Mine Debtors will have quarterly coal mine reclamation activity status meetings.

4. The Illinois Settlement

On September 16, 2016, the Bankruptcy Court entered a stipulation and order (the "Illinois Settlement") resolving disputes between certain Debtors and the Illinois Department of Natural Resources (the "Illinois DNR") over the Debtors' continued ability to qualify for self-bonding after commencement of these Chapter 11 Cases. As of the Petition Date, the Debtors had $92.2 million in self-bonding obligations in connection with their Illinois mining operations (the "Illinois Reclamation Bond Amount"). The Illinois Settlement resolves disputes between the Debtors that are party to the Illinois Settlement (the "Illinois Mine Debtors") and the Illinois DNR over (a) the Illinois Mine Debtors' ability to qualify for self-bonding under Illinois law during the pendency of the Chapter 11 Cases and (b) the Illinois DNR's ability to require the Illinois Mine Debtors to post additional collateral or alternative bonds to satisfy the Debtors' Coal Mine Reclamation Obligations in Illinois. The Illinois Settlement, among other things: (a) granted the Illinois DNR a Bonding Superpriority Claim in the amount of approximately $12.9 million against Illinois Mine Debtors in order to secure the Illinois Mine Debtors' Coal Mine Reclamation Obligations in Illinois during the pendency of the Chapter 11 Cases and (b) provided that the Illinois Mine Debtors will post a collateral bond in the amount of $3.2 million (consisting of Bonding Facility Letters of Credit, third party commercial surety bonds or cash deposits) to insure the Coal Mine Reclamation Obligations related to the Illinois Mine Operations (as defined in the Illinois Settlement). The Illinois Settlement also provides that (a) Illinois will not seek additional collateral or otherwise affect the Illinois Mine Debtors' mining permits on account of the Illinois Mine Debtors' ability to comply with Illinois reclamation law; (b) the Illinois Mine Debtors will use their reasonable best efforts to reduce the Illinois Reclamation Bond Amount by at least $20 million; (c) all coal mine reclamation activities of the Illinois Mine Debtors be monitored by an independent consultant retained at the Illinois Mine Debtors' expense; and (d) the Illinois DNR and the Illinois Mine Debtors will have quarterly coal mine reclamation activity status meetings.

J. Key Employee Motions

1. Retention Program for Non-Insider Key Employees

On June 1, 2016, the Debtors filed a motion (the "KERP Motion") seeking the Court's approval of the Debtors' key employee retention plan (the "KERP"). Under the KERP Motion, Debtors sought authority to (a) make payments to certain 42 critical non-insider employees (collectively, the "Key Employees") under the terms of the KERP; (b) alter the KERP Award (as defined below) in the event that, the Key Employee is promoted or otherwise affected in a way that the Debtors determine warrant an alteration of the Key Employee's KERP Award; and (c) make payment to any non-insider employee not currently included in the KERP if such employee becomes a Key Employee during the pendency of Chapter 11 Cases.

The Debtors, in consultation with Mercer (US) LLC set the amount of the payment each Key Employee will receive upon the effective date of the Plan (the "KERP Award") if he or she remains with the Debtors at that time based on: (a) whether the employee's unique skills or experiences were crucial to the Debtors' operations and for emerging from the Chapter 11 process in an efficient fashion; (b) the likelihood of the employee's departure, given the anticipated demand for the employee's knowledge and skill in the marketplace; and (c) the time, expense and ease of finding an adequate replacement should the employee leave. Should each Key Employee receive a

KERP Award, the KERP will cost the Debtors no more than $3.24 million. The KERP Motion was approved by the Bankruptcy Court on June 16, 2016.

2. Key Employee Incentive Plan and Directors' Compensation

Among other relief granted in the Wages and Benefits Order, the Bankruptcy Court authorized the Debtors to continue making payments under their Non-Insider Prepetition LTIP and non-insider short-term incentive plan. For Insiders, as this term is defined in the Bankruptcy Code, on August 3, 2016, the Debtors sought Bankruptcy Court approval to institute: (a) a Key Employee Incentive Plan ("KEIP") for the six executive employees who comprise the Debtors' Executive Leadership Team (collectively, the "ELT"); (b) 2016 and 2017 Executive Leadership Team Short-Term Incentive Plans (the "ELT-STIP" and collectively with the KEIP, the "Incentive Plans"); and (c) modifications to the Director Compensation Program (as defined in the KEIP Order). With the assistance of Mercer (US) Inc., and in consultation with the Debtors' other advisors, the Debtors designed the Incentive Plans in order to motivate the ELT to meet and exceed certain operational goals that will be critical for the Debtors' restructuring and will enhance the value of the Debtors' estates. The metrics in the Incentive Plans were measured by the Debtors' performance in the following areas: EBITDAR (as defined in the Debtors' motion to approve the KEIP), safety, cash flow and environmental reclamation. Additionally, with the assistance of Mercer (US) Inc. and in consultation with the Debtors' other advisors, the Debtors designed certain modifications to the compensation of the non-executive members of the Board of Directors of PEC. Traditionally, the Debtors compensated the directors of PEC with cash payments, deferred cash awards and equity awards. Due to the filing of these Chapter 11 Cases, the Debtors determined that modifying the directors' compensation to eliminate the equity award altogether (with no replacement of its value) and to combine all cash compensation into the cash retainer is beneficial to the Debtors and appropriate under the facts and circumstances of these cases. Therefore, the Debtors sought authority to modify the compensation for the directors of PEC so that the directors be paid an annual retainer of $175,000 (plus applicable chair retainers). The Bankruptcy Court entered an order approving the Incentive Plans and the modifications to the Director Compensation Program on August 18, 2016 (the "KEIP Order").

K. Sale Motions

1. Dominion Terminal Associates Bidding Procedures

Dominion Terminal Associates ("DTA") is a major bulk shipping terminal located in the port of Hampton Roads at Newport News, Virginia. Debtors James River Coal Terminal, LLC and Peabody Terminal, LLC own an aggregate 37.5 percent interest in DTA, with Contura Energy, Inc. and Arch Coal Inc., owning the remaining interests. On January 12, 2016, the Debtors filed Debtors' *Motion for Entry of Orders (I)(A) Approving Bidding Procedures for the Sale of a Certain Asset, (B) Authorizing the Debtors to Enter into the Stalking Horse Purchase Agreement, (C) Approving Bid Protections, (D) Scheduling an Auction, (E) Approving the Form and Manner of Notice Thereof, (F) Scheduling a Sale Hearing and Approving the Form and Manner of Notice Thereof, and (G) Approving Assumption and Assignment Procedures; and (II)(A) Approving the Sale of a Certain Asset Free and Clear of Liens, Claims, Interests and Encumbrances and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) Granting Related Relief* (the "Bidding Procedures Motion"). The initial hearing on the Bidding Procedures Motion will take place at the omnibus hearing currently scheduled for January 26, 2017. In the event that the Bankruptcy Court approves the partial relief under the Bidding Procedures Motion that the Debtors will request at the January 26, 2017 hearing, the auction for James River Coal Terminal, LLC and Peabody Terminal, LLC's interest in DTA is scheduled to take place on March 6, 2017. The Debtors have requested a hearing to approve the sale on March 9, 2017.

2. Motion to Approve Miscellaneous Asset Sale Procedures

On May 3, 2016, the Debtors filed a motion seeking to implement procedures (the "Miscellaneous Asset Sale Procedures") by which the Debtors could, in their discretion, sell or abandon certain non-core miscellaneous real or personal property that is no longer needed in the Debtors' ongoing business activities and, in most cases, is of relatively *de minimis* value compared to the Debtors' total assets, without need for further Bankruptcy Court approval. The Miscellaneous Asset Sale Procedures permitted the Debtors to streamline the disposition of such assets and avoid the administrative burden and cost of seeking approval of every such transaction. By an order entered on May 18, 2016, the Bankruptcy Court approved the Miscellaneous Asset Sale Procedures. Since the

Bankruptcy Court's approval of the Miscellaneous Asset Sale Procedures, the Debtors have sold various assets consistent with these procedures.

3. Motion to Approve the Prairie State Sale

Prior to the Petition Date, on January 19, 2016, Debtor Peabody Electricity, LLC ("PE") entered into the Prairie State Interest and Purchase Agreement (the "Prairie State Agreement") with Wabash Valley Power Association, Inc. ("Wabash"). Under the Prairie State Agreement, PE agreed to, among other things, sell 100% of its ownership interest in Debtor Lively Grove Energy Partners, LLC ("LGEP," and the ownership interest, the "LGEP Membership Interest"), whose sole asset was its 5.06% interest in the Prairie State Energy Campus ("Prairie State"), a 1,600 megawatt coal-fueled electricity generating facility in Illinois (the "Prairie State Ownership Interest"), to Wabash for $57 million in cash and assumption of certain liabilities associated with the Prairie State Ownership Interest, subject to certain post-closing adjustments to reconcile certain revenues, expenditures and expenses attributable to the period prior to the closing of the transaction (collectively, the "Prairie State Sale"). PE had not obtained the necessary regulatory approvals to consummate the sale prior to the Petition Date. After receiving such approvals, the Debtors filed a motion with the Bankruptcy Court to, among other things, assume the Prairie State Agreement, transfer the LGEP Membership Interest to Wabash free and clear of liens and other encumbrances, and dismiss Debtor LGEP's Chapter 11 case upon consummation of the Prairie State Sale (the "Prairie State Motion"). The Bankruptcy Court approved the Prairie State Motion on May 17, 2016. The Prairie State Sale was consummated on May 19, 2016. The Chapter 11 Case of Debtor LGEP (Case No. 16-42584) was dismissed on May 19, 2016.

L. Further Motions and Related Events in the Chapter 11 Cases

1. Motions to Extend the Exclusive Filing and Solicitation Periods

Pursuant to section 1121(b) of the Bankruptcy Code, a debtor has the exclusive right to file a chapter 11 plan during the first 120 days following the commencement of a chapter 11 case (the "Exclusive Filing Period"). Section 1121(c)(3) of the Bankruptcy Code, in turn, provides a debtor with a total of 180 days from the commencement of the case to solicit acceptances of any chapter 11 plan filed during such 120-day period (the "Exclusive Solicitation Period"). These periods may be extended for "cause" up to a date that is 18 months after the Petition Date. The Bankruptcy Court extended the Debtors Exclusive Filing Period and Exclusive Solicitation Period on August 18, 2016. On October 19, 2016, the Bankruptcy Court granted an order further extending (a) the Exclusive Filing Period through and including December 14, 2016 and (b) the Exclusive Solicitation Period through and including February 15, 2017. The Debtors filed a motion on November 30, 2016, seeking authority to further extend the Exclusive Filing Period through and including February 13, 2017 and the Exclusive Solicitation Period through and including March 17, 2017. The Court granted this motion on December 14, 2016.

2. Assumption and Rejection of Non-Residential Real Property Leases

Pursuant to section 365(d)(4) of the Bankruptcy Code, the Debtors were required to assume or reject any unexpired non-residential real property leases or subleases within 120 days of the Petition Date, unless such period were extended for up to an additional 90 days by order of the Bankruptcy Court for cause, or longer by consent of the counterparties to the applicable leases, or else any such lease is deemed rejected. The Debtors estimate that, as of the Petition Date, the Debtors were lessee, sublessee or party to more than 6,600 leases, surface leases, subleases, land use licenses, rights of way, easements and/or similar agreements. By a motion filed on August 3, 2016, the Debtors requested: (a) an extension of 120-day deadline from August 17, 2016 (after the Court's entry of a bridge order) to and including November 9, 2016; and (b) certain related relief. The Bankruptcy Court granted the requested relief by an order entered on August 19, 2016 (the "Non-Residential Real Property Lease Order").

After expending substantial effort reviewing the non-residential real property leases and subleases, the Debtors chose to assume certain beneficial leases necessary to their current and future business operations and subleases and reject burdensome and/or unnecessary leases and subleases. On October 24, 2016, the Debtors filed a motion to authorize them to (a) assume certain unexpired leases of nonresidential real property and (b) reject certain unexpired leases of nonresidential real property on October 24, 2016. The Court granted the relief requested on November 18, 2016.

3. Secured and Priority Property Tax Motion

The Debtors obtained approval from the Bankruptcy Court to pay prepetition secured or priority unsecured real and personal property taxes, including certain mineral tax obligations, (the "Property Taxes") on July 21, 2016 (the "Property Tax Order"). Under the Property Tax Order, the Debtors may pay up to $29.4 million in Property Taxes.

4. Omnibus Motions for Rejection of Executory Contracts and Unexpired Leases

Pursuant to section 365(a) of the Bankruptcy Code, a debtor, subject to the court's approval, may assume or reject any executory contract or unexpired lease. The Debtors filed omnibus motions on April 13, 2016; April 29, 2016; July 6, 2016; and October 4, 2016 seeking orders authorizing the rejection of certain executory contracts and unexpired leases effective as of certain identified dates. Orders granting such relief were entered by the Bankruptcy Court on May 17, 2016 (first two omnibus motions); July 21, 2016; and October 19, 2016, respectively. The Debtors sought to reject such executory contracts and unexpired leases, as applicable, because they had determined, in their business judgment, that the agreements were not necessary to their ongoing business operations and could not be assumed and assigned in an economically beneficial manner.

V.

POSTPETITION OPERATIONS AND RESTRUCTURING INITIATIVES

A. The Debtors' Financial and Operational Performance Following the Petition Date

As discussed in the Global Business Plan and the Updated Projections, U.S. coal demand declined sharply in the first half of 2016, due in large part to approximately 15-year low natural gas prices and competition from other fuel sources. Natural gas prices began to improve in June 2016, resulting in improved coal demand and shipments in the third quarter of 2016. While production cuts in 2016 are expected to outpace the reduced demand, record high stockpiles will likely continue to impact demand into 2017. In the long-term, forecasts relied upon in the Global Business Plan and the Updated Projections show that U.S. coal demand for electricity generation will decline 15 to 25 million tons between 2016 and 2021. The PRB and the Illinois Basin are predicted to have increased demand in the coming years.

The decline in U.S. coal prices was coupled with rapidly declining seaborne prices in early 2016. In mid-2016, seaborne prices improved largely due to policy-based supply restrictions in China and other temporary supply disruptions. International seaborne coal prices recovered in the fourth quarter of 2016, with Australian benchmark spot prices increasing to more than $300 per tonne for seaborne metallurgical coal and more than $100 per tonne for seaborne thermal coal. The Updated Projections estimate demand for seaborne metallurgical coal will increase by approximately 10% to 15% by the end of 2021 as lower prices and capital constraints force some mine closures and defer new supply. The growth in seaborne metallurgical coal demand is led by India, with India becoming the largest importer of seaborne metallurgical coal. Global demand for seaborne thermal coal is expected to rise by approximately 25 to 35 million tonnes, and 375 gigawatts of new generation capacity is expected to be added primarily in the Asia-Pacific region. The Company believes that Australia is well-positioned to supply the increased demand and is projected to lead the growth in exports.

The improved state of the industry has affected the Debtors' financial performance since the Petition Date. The Company sustained an operating loss of $107.7 million on a consolidated basis during the period spanning from April 1, 2016 to June 30, 2016. The Company's financial conditions improved in the third quarter of 2016, with the operating loss shrinking to $21.6 million between July 1, 2016 and September 30, 2016. As of November 30, 2016, the Company had cash on hand of approximately $1.26 billion.

B. The Proposed Resolution of Coal Mine Reclamation Obligations

As set forth in Section IV.J. above, the Debtors entered into interim settlements, Self-Bonding Stipulations, with the states of Wyoming, New Mexico, Indiana and Illinois regarding their reclamation bonding obligations

during the pendency of the Chapter 11 Cases. The Debtors have been, and are currently, evaluating alternatives to satisfy the Reorganized Debtors' Coal Mine Reclamation Obligations through third party surety or self bonds, or a combination thereof for the period following the Effective Date of the Plan.

After emerging from bankruptcy, certain other coal companies, based either on specific circumstances related to those companies or decisions made by those companies in consultation with the states where they do business, completely replaced their self-bonds with surety bonds or other forms of collateral bonds to satisfy their reclamation bonding obligations at all active operations. The Company is engaged in ongoing discussions with surety companies and the Self-Bonding States in order to appropriately secure reclamation obligations by utilizing all available options, including obtaining financial assurances to secure their mine reclamation obligations.

VI.

THE PLAN

A. General

THE FOLLOWING SUMMARY HIGHLIGHTS CERTAIN OF THE SUBSTANTIVE PROVISIONS OF THE PLAN, BUT IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE REVIEW OF THE PLAN. THE DEBTORS URGE ALL HOLDERS OF CLAIMS AND INTERESTS TO READ AND CAREFULLY STUDY THE PLAN, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A.

Section 1123 of the Bankruptcy Code provides that, except for administrative claims and priority tax claims, a plan of reorganization must categorize claims against and equity interests in a debtor into individual classes. Although the Bankruptcy Code gives a debtor significant flexibility in classifying claims and interests, section 1122 of the Bankruptcy Code dictates that a plan of reorganization may only classify a claim or an equity interest with claims or equity interests, respectively, that are substantially similar.

The Plan creates ten Classes of Claims and two Classes of Interests, not all of which apply to each of the five Debtor Groups (as shown in Table 2 above). These Classes take into account the differing nature and priority of Claims against and Interests in the various Debtors in each of the Debtor Groups. Securitization Facility Claims, Administrative Expense Claims, Priority Tax Claims and Contingent DIP Facility Claims are not classified for purposes of voting or receiving distributions under the Plan (as is permitted by section 1123(a)(1) of the Bankruptcy Code) but are treated separately as unclassified Claims.

The Plan provides specific treatment for each Class of Claims and Interests. Only holders of Claims that are impaired under the Plan and who will receive Distributions under the Plan are entitled to vote on the Plan.

The following discussion sets forth the classification and treatment of all Claims against, and Interests in, the Debtors. It is qualified in its entirety by the terms of the Plan, which is attached hereto as Exhibit A, and which you should read carefully before deciding whether to vote to accept or reject the Plan.

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. The Plan is attached hereto as Exhibit A to this Disclosure Statement.

B. Classification and Treatment of Claims and Interests Under the Plan

Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims and Interests are classified under the Plan for all purposes, including voting, Confirmation and Distribution. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims, as described in Section II.A. of the Plan, have not been classified and thus are excluded from the Classes described in Section II.B. of the Plan. A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of

such Claim or Interest qualifies within the description of such other Class. Notwithstanding the foregoing, in no event shall any holder of an Allowed Claim be entitled to receive payments or Distributions under the Plan that, in the aggregate, exceed the Allowed amount of such holder's Claim.

If the Plan is confirmed by the Bankruptcy Court, unless a holder of an Allowed Claim consents to different treatment, (1) each Allowed Claim in a particular Class will receive the same treatment as the other Allowed Claims in such Class, whether or not the holder of such Claim voted to accept the Plan, and (2) each Allowed Interest in a particular Class will receive the same treatment as the other Allowed Interests in such Class. Such treatment will be in exchange for and in full satisfaction, release and discharge of, the holder's respective Claims against or Interests in a Debtor, except as otherwise provided in the Plan. Moreover, upon Confirmation, the Plan will be binding on (1) all holders of Claims regardless of whether such holders voted to accept the Plan and (2) all holders of Interests.

C. Unclassified Claims

1. Payment of Administrative Expense Claims

a. **Administrative Expense Claims in General**

Except as specified in Section II.A.1. of the Plan, and subject to the bar date provisions in the Plan, unless otherwise agreed by the holder of an Administrative Expense Claim and the applicable Debtor, Reorganized Debtor or, solely with respect to Claims asserted against the Gold Fields Debtors, the Gold Fields Liquidating Trustee, or unless an order of the Bankruptcy Court provides otherwise, each holder of an Allowed Administrative Expense Claim will receive, in full satisfaction, settlement, release and discharge of its Administrative Expense Claim, Cash equal to the full unpaid amount of such Allowed Administrative Expense Claim, which payments shall be made at the Debtors' option in the ordinary course of business or (i) the latest to occur of (A) the Effective Date (or as soon as reasonably practicable thereafter), (B) the date such claim becomes an Allowed Administrative Expense Claim (or as soon as reasonably practicable thereafter), (C) such other date as may be agreed upon by the Reorganized Debtors and the holder of such Claim or (ii) such other date as the Bankruptcy Court may order; provided that under no circumstances shall any holder of Claims on account of the Breakup Payments receive or be entitled to receive any Cash on account of such Claim unless the conditions in section 9.5(c)(i) of the Private Placement Agreement (as in effect on December 22, 2016) or section 9.5(c)(i) of the Rights offering Backstop Commitment Agreement (as in effect on December 22, 2016), as applicable, are satisfied.

b. **Statutory Fees**

On or before the Effective Date, Administrative Expense Claims for fees payable pursuant to 28 U.S.C. § 1930 will be paid by the Debtors in Cash equal to the amount of such Administrative Expense Claims. Any fees payable pursuant to 28 U.S.C. § 1930 for each Debtor's Estate after the Effective Date will be paid by the applicable Reorganized Debtor or successor thereto in accordance therewith until the earlier of the conversion or dismissal of the applicable Chapter 11 Case under section 1112 of the Bankruptcy Code or the closing of the applicable Chapter 11 Case pursuant to section 350(a) of the Bankruptcy Code.

c. **Ordinary Course Liabilities**

Allowed Administrative Expense Claims based on liabilities incurred by a Debtor in the ordinary course of its business, including Administrative Expense Claims arising from or with respect to the sale of goods or provision of services on or after the Petition Date in the ordinary course of the applicable Debtor's business, Administrative Expense Claims of Governmental Units for Taxes (including Tax audit Claims related to Tax years or portions thereof ending after the Petition Date) and Administrative Expense Claims arising from those contracts and leases of the kind described in Section III.A.5. of the Plan, will be paid or satisfied by the applicable Reorganized Debtor, pursuant to the terms and conditions of the particular transaction giving rise to those Administrative Expense Claims, without further action by the holders of such Administrative Expense Claims or further approval by the Bankruptcy Court.

d. **Contingent DIP Facility Surviving Claims**

All Contingent DIP Facility Surviving Claims (if any) shall be preserved. All Contingent DIP Facility Surviving Claims payable under the DIP Documents (as defined in the DIP Facility Credit Agreement) shall be Allowed and shall be paid in full in Cash as soon as reasonably practicable after they become due and payable under the DIP Documents (as defined in the DIP Facility Credit Agreement); provided, however, that the foregoing treatment shall not in any way limit or impair any arguments or defenses of the Debtors or the Creditors' Committee that any Contingent DIP Facility Surviving Claim that may be asserted is not payable under the DIP Documents (as defined in the DIP Facility Credit Agreement). Notwithstanding the foregoing, the treatment of certain letters of credit issued under the terms of the DIP Facility Credit Agreement and any related collateral shall be treated in accordance with the terms of the DIP Payoff Letter.

e. **Securitization Facility Claims**

All Securitization Facility Claims shall be Allowed Claims. On or after the Effective Date, unless otherwise agreed by the holder of a Securitization Facility Claim and the applicable Debtor or Reorganized Debtor, Allowed Securitization Facility Claims will be either (i) satisfied in the ordinary course of business in accordance with the terms of the Securitization Facility, as amended and extended on the Effective Date; or (ii) paid in Cash in an amount equal to the full amount of those Claims or otherwise satisfied in full pursuant to the terms of the Securitization Facility.

After the Effective Date, the Reorganized Debtors shall continue to reimburse the Securitization Parties for the reasonable fees and expenses (including reasonable and documented legal fees and expenses) incurred by the Securitization Parties after the Effective Date in accordance with the terms of the Securitization Facility.

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. to the Plan, including no greater amount of first lien notes than would be issued in accordance with Exhibit I.A.195. 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 Trustees. Such reasonable and documented fees and expenses shall include such parties' reasonable and documented fees and expenses of legal and financial advisors incurred in connection with the Debtors' Chapter 11 Cases. The Debtors' shall reimburse such reasonable and documented fees and expenses regardless of whether the Debtors' restructuring contemplated by the PSA is ultimately consummated; provided, however, that no such fees shall be payable in the event the PSA Termination Event (as defined in the PSA and the exhibits thereto) occurs; and provided, further, that upon the occurrence of any Termination Event (as defined in the PSA and the exhibits thereto) (other than the PSA Termination Event), any and all fees and expenses accrued and unpaid as of such date that are required to be paid under the Private Placement Agreement and the Backstop Commitment Agreement (whether or not such fees and expenses have been billed or invoiced) shall be paid by the Debtors.

The payment of the fees set forth in the previous paragraph shall (a) be approved upon entry of the PPA and BCA Approval Order; (b) be payable within two weeks of receipt of an invoice; and (c) prior to the time paid, be granted administrative expense status against each Debtor on a joint and several basis, subject to Section II.A.1.f.ii. of the Plan.

Each of the Noteholder Co-Proponents agrees to submit bills and invoices with respect to incurred fees and expenses as promptly as possible on a monthly basis. At least ten (10) days prior to the Effective Date, each of the foregoing entities shall provide reasonable estimates of the fees and expenses to be paid by the Debtors on the Effective Date in connection with Section II.A.1.f.iii. of the Plan. The Debtors shall place into escrow Cash sufficient to satisfy such estimated amounts of such fees and expenses. Any residual balance in such escrow after payment of such fees and expenses shall be returned to the Reorganized Debtors.

g. **Class 5B Cash Pool**

The $75 million that the Debtors and Reorganized Debtors are obligated to fund for the Class 5B Cash Pool shall be Allowed Administrative Expense Claims, which shall be (a) reduced to $37.5 million upon the Reorganized Debtors payment of the first $37.5 million installment in accordance with Section IV.E. below and (b) deemed satisfied and paid in full upon the Reorganized Debtors' payment of the second $37.5 million installment in accordance with Section IV.E. below.

h. **Bar Dates for Administrative Expense Claims**

i. **General Bar Date Provisions**

Except as otherwise provided in Section II.A.1.h.ii. of the Plan or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Expense Claims must be Filed and served on the Notice Parties pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the Effective Date. Holders of Administrative Expense Claims that are required to File and serve a request for payment of such Administrative Expense Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Expense Claims against the Debtors, the Reorganized Debtors, the Gold Fields Liquidating Trust or their respective property, and such Administrative Expense Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the Notice Parties and the requesting party by the Claims Objection Bar Date.

ii. **Bar Dates for Certain Administrative Expense Claims**

A. **Professional Compensation**

Professionals or other entities asserting a Fee Claim for services rendered before the Effective Date must File and serve on the Notice Parties and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 60 days after the Effective Date; provided, however, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date pursuant to the Ordinary Course Professionals Order without further Bankruptcy Court review or approval (except as provided in the Ordinary Course Professionals Order). Objections to any Fee Claim must be Filed and served on the Notice Parties and the requesting party by the later of (1) 90 days after the Effective Date, (2) 30 days after the Filing of the applicable request for payment of the Fee Claim or (3) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Fee Claims. To the extent necessary, the Confirmation Order will amend and supersede any previously entered order of the Bankruptcy Court regarding the payment of Fee Claims. For the avoidance of doubt, professionals for (1) the Noteholder Co-Proponents, (2) the Indenture Trustees, (3) the First Lien Agent and (5) the First Lien Lenders shall not be required to submit fee applications.

B. **Ordinary Course Liabilities**

Holders of Allowed Administrative Expense Claims arising from liabilities incurred by a Debtor on or after the Petition Date but prior to the Effective Date in the ordinary course of the Debtor's business, including Administrative Expense Claims arising from or with respect to the sale of goods or provision of services on or after the Petition Date in the ordinary course of the applicable Debtor's business, Administrative Expense Claims of Governmental Units for Taxes (including Tax audit Claims related to Tax years or portions thereof ending after the Petition Date), Administrative Expense Claims arising from those contracts and leases of the kind described in Section III.A.5. of the Plan, will not be required to File or serve any request for payment of such Administrative Expense Claims. Such Administrative Expense Claims will be satisfied pursuant to Section II.A.1.c. of the Plan. Any Administrative Expense Claims that are filed contrary to Section II.A.1.c. of the Plan shall be deemed disallowed and expunged, subject to resolution and satisfaction in the ordinary course outside the Chapter 11 Cases.

C. **No Filing For Contingent DIP Facility Surviving Claims and Securitization Facility Claims**

Holders of Allowed Administrative Expense Claims that are Contingent DIP Facility Surviving Claims or Securitization Facility Claims will not be required to File or serve any request for payment or application for allowance of such Claims.

D. **No Filing For Commitment Premiums, Ticking Premiums, Breakup Payments, Expense Reimbursements**

Holders of Allowed Administrative Expense Claims that are based on the Commitment Premiums, the Ticking Premiums, if any, the Breakup Payments and the Expense Reimbursements will not be required to File or serve any request for payment or application for allowance of such Claims.

iii. **No Modification of Bar Date Order**

The Plan does not modify any other Bar Date Order, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

2. Payment of Priority Tax Claims

a. **Priority Tax Claims**

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor, Reorganized Debtor or, with respect to Claims asserted against the Gold Field Debtors, the Gold Fields Liquidating Trustee, each holder of an Allowed Priority Tax Claim will receive, at the option of the applicable Debtor, Reorganized Debtor or the Gold Fields Liquidating Trustee, as applicable, in full satisfaction of its Allowed Priority Tax Claim that is due and payable on or before the Effective Date, either (i) Cash equal to the amount of such Allowed Priority Tax Claim (1) on the Effective Date or (2) if the Priority Tax Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim or (ii) Cash of a total value, as of the Effective Date, equal to the amount of such Allowed Priority Tax Claim, payable in annual equal installments commencing on the later of (1) the Effective Date (or as soon as reasonably practicable thereafter) and (2) the date such Priority Tax Claim becomes an Allowed Priority Tax Claim (or as soon as practicable thereafter) and ending no later than five years after the Petition Date; provided, however, that all Allowed Priority Tax Claims that are not due and payable on or before the Effective Date will be paid in the ordinary course of business by the Reorganized Debtors as they become due.

b. **Other Provisions Concerning Treatment of Priority Tax Claims**

Notwithstanding the provisions of Section II.A.2.a. or Section I.A.229. of the Plan, the holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim. Any such Claim or demand for any such penalty will be subject to treatment in Class 5, if not subordinated to Class 5 Claims pursuant to an order of the Bankruptcy Court. The holder of an Allowed Priority Tax Claim will not assess or attempt to collect such penalty from the Debtors, the Reorganized Debtors or their respective property (other than as a holder of an Allowed Class 5 Claim).

D. Classified Claims and Interests

1. Summary of Classification

Pursuant to sections 1122 and 1123 of the Bankruptcy Code and as set forth in the Plan, the Plan places Claims and Interests in the below Classes for voting, Confirmation and Distribution purposes. A Claim or Interest (a) is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and (b) is classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such other Class. A Claim or Interest is also classified in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for the purposes of Confirmation by acceptance of the Plan by at least one Impaired Class of Claims at each Debtor Group. In the event no holder of a Claim with respect to a specific Class for a particular Debtor Group timely submits a Ballot in compliance with the order approving the Disclosure Statement indicating acceptance or rejection of the Plan, such Class will be deemed

to have accepted the Plan pursuant to the Confirmation Order. The Debtors may seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests.

For administrative convenience, the Plan organizes the Debtors into five (5) Debtor Groups and assigns a letter to each Debtor Group and a number to each Class of Claims against or Interests in the Debtors in each Debtor Group. The Classes of Claims against or Interests in a Debtor belonging to a Debtor Group consisting of more than one Debtor shall each be deemed to be a single Class against all of the Debtors in that Debtor Group for all purposes under the Bankruptcy Code, including voting, Confirmation and Distribution purposes. To the extent a holder has a Claim that may be asserted against more than one Debtor in a Debtor Group, the vote of such holder in connection with such Claim shall be counted as a vote of such Claim against each Debtor in such Debtor Group. For consistency, similarly designated Classes of Claims and Interests are assigned the same number across each of the Debtor Groups. Any non-sequential enumeration of the Classes is intentional to maintain consistency. Notwithstanding these organizing principles for administrative convenience, the Plan is a separate plan of reorganization for each Debtor and no substantive consolidation is intended. Claims against and Interests in the Debtors are classified as follows:

Letter	Debtor Group
A	PEC
B	Encumbered Guarantor Debtors
C	Gold Fields Debtors
D	Gib 1
E	Unencumbered Debtors

Number	Designation
1	First Lien Lender Claims
2	Second Lien Notes Claims
3	Other Secured Claims
4	Other Priority Claims
5	General Unsecured Claims
6	Convenience Claims
7	MEPP Claim
8	Unsecured Subordinated Debenture Claims
9	Intercompany Claims
10	Section 510(b) Claims
11	PEC Interests
12	Subsidiary Debtor Interests

2. Class Identification

The classification of Claims and Interests against each Debtor (as applicable) under the Plan is as set forth below.

Class(es)	Designation	Impairment	Entitled to Vote
1A – 1D	First Lien Lender Claims	Impaired	Entitled to Vote
2A – 2D	Second Lien Notes Claims	Impaired	Entitled to Vote
3A – 3E	Other Secured Claims	Unimpaired	Deemed to Accept
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

Class(es)	Designation	Impairment	Entitled to Vote
8A	Unsecured Subordinated Debenture Claims	Impaired	Entitled t o 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. 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. 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]

iii. **Treatment:** On or as soon as practicable after the Effective Date,[69] 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 dilution from the LTIP Shares, the Preferred Equity and the Penny Warrants and (2) 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

C. Its Pro Rata share of the Pro Rata Split as of the Rights Offering Record Date of the Rights Offering Equity Rights.

If the total amount of Allowed Second Lien Notes Claims increases because the Effective Date extends beyond April 3, 2017, then additional consideration shall be provided to the holders of Allowed Second Lien Notes Claims (1) by

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[68] 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] 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.

increasing the consideration pursuant to Section II.B.2.b.iii.A. of the Plan on a pro rata basis in an amount equal to 50% of the amount of the Incremental Second Lien Notes Claims, subject to a $20 million cap for such increase above $450 million pursuant to this clause (1), and (2) in the form of additional Reorganized PEC Common Stock with a total value at Plan Equity Value equal to the remaining amount of Incremental Second Lien Notes Claims not settled pursuant to clause (1) above; provided, however, that if no Additional First Lien Debt or New Second Lien Notes are being issued pursuant to clauses (2) or (3) of Section II.B.2.b.iii.A. of the Plan (prior to giving effect to the additional consideration described in this paragraph), then the additional consideration pursuant to clause (1) 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.

iv. **Voting:** Classes 2A, 2B, 2C and 2D are Impaired. Holders of Claims in Classes 2A, 2B, 2C and 2D are entitled to vote to accept or reject the Plan.

c. **Other Secured Claims (Classes 3A through 3E)**

i. **Classification:** Classes 3A, 3B, 3C, 3D and 3E consist of all Other Secured Claims against the respective Debtors.

ii. **Treatment:** 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 Claim in Classes 3A, 3B, 3C, 3D and 3E will receive treatment on account of such Allowed Secured Claim in the manner set forth in Option A, B, C or D below, at the election of the applicable Debtor or Reorganized Debtor. The applicable Debtor or Reorganized Debtor will be deemed to have elected Option A except with respect to (1) any Allowed Secured Claim as to which the applicable Debtor at its sole discretion elects either Option B, Option C or Option D in one or more certifications Filed prior to the conclusion of the Confirmation Hearing and (2) any Allowed Secured Tax Claim, with respect to which the applicable Debtor will be deemed to have elected Option B.

A. **Option A:** Reinstatement of any such Allowed Other Secured Claim pursuant to section 1124 of the Bankruptcy Code;

B. **Option B:** payment in full (in Cash) of any such Allowed Other Secured Claims;

C. **Option C:** satisfaction of any such Allowed Other Secured Claim by delivering the collateral securing any such Allowed Other Secured Claims and paying any interest required to be paid under section 506(b) of the Bankruptcy Code; or

D. **Option D:** providing such holders with such treatment in accordance with section 1129(b) of the Bankruptcy Code as may be determined by the Bankruptcy Court.

Notwithstanding either the foregoing or Section I.A.229. of the Plan, the holder of an Allowed Secured Tax Claim in Classes 3A, 3B, 3C, 3D and 3E will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with such Allowed Secured Tax Claim. Any such Claim or demand for any such penalty will be subject to treatment in Classes 5A, 5B, 5C,

5D and 5E, as applicable, if not subordinated to such Claims pursuant to an order of the Bankruptcy Court. The holder of an Allowed Secured Tax Claim will not assess 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).

iii. **Voting:** Classes 3A, 3B, 3C, 3D and 3E are Unimpaired. Each holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Other Secured Claims are not entitled to vote to accept or reject the Plan.

d. **Other Priority Claims (Classes 4A through 4E)**

i. **Classification:** Classes 4A, 4B, 4C, 4D and 4E consist of all Other Priority Claims against the respective Debtors.

ii. **Treatment:** 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.

iii. **Voting:** Classes 4A, 4B, 4C, 4D and 4E are Unimpaired. Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Other Priority Claims are not entitled to vote to accept or reject the Plan.

e. **General Unsecured Claims (Classes 5A through 5E)**

i. **Classification:** Classes 5A, 5B, 5C, 5D and 5E consist of all General Unsecured Claims.

ii. **Treatment:** On or as soon as practicable after the Effective Date, unless otherwise agreed by a Claim holder and the applicable Debtor or Reorganized Debtor:

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

- 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.

C. each holder of an Allowed General Unsecured Claim in Class 5C against one of the Gold Fields Debtors will receive such holder's Pro Rata share of the Gold Fields Liquidating Trust Units;

D. each holder of an Allowed General Unsecured Claim in Class 5D against Gib 1 will receive no recovery; and

E. each holder of an Allowed General Unsecured Claim in Class 5E 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.

iii. **Voting:** Classes 5A, 5B, 5C and 5E are Impaired and holders of Claims in Classes 5A, 5B, 5C and 5E are entitled to vote to accept or reject the Plan. Holders of Claims in Class 5D are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

f. **Convenience Claims (Classes 6A and 6B)**

i. **Classification:** Classes 6A and 6B consist of all Convenience Claims against PEC and the Encumbered Guarantor Debtors.

ii. **Treatment:** 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:

A. 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 and (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; and

B. 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.

iii. **Voting:** Classes 6A and 6B are Impaired. Holders of Claims in Classes 6A and 6B are entitled to vote to accept or reject the Plan.

g. **MEPP Claim (Classes 7A through 7E)**

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

ii. **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 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. **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 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)**

i. **Classification:** Classes 9A, 9B, 9C, 9D and 9E consist of all Intercompany Claims.

ii. **Treatment:** 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, (A) 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 and (B) 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.

iii. **Voting:** Classes 9A, 9B, 9C, 9D and 9E are Unimpaired. Each holder of an Intercompany Claim is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Intercompany Claims are not entitled to vote to accept or reject the Plan.

j. **Section 510(b) Claims (Class 10A)**

i. **Classification:** Class 10A consists of all Section 510(b) Claims against PEC.

ii. **Treatment:** 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.

iii. **Voting:** Class 10A is Impaired. Holders of Section 510(b) Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

k. **PEC Interests (Class 11A)**

i. **Classification:** Class 11A consists of all PEC Interests.

ii. **Treatment:** 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.

iii. **Voting:** Class 11A is Impaired. Holders of PEC Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

l. **Subsidiary Debtor Interests (Classes 12B through 12E)**

i. **Classification:** Classes 12B, 12C, 12D and 12E consist of all Subsidiary Debtor Interests.

ii. **Treatment:** On the Effective Date, Subsidiary Debtor Interests will be Reinstated, subject to any Restructuring Transactions.

iii. **Voting:** Classes 12B, 12C, 12D and 12E are Unimpaired. Each holder of a Subsidiary Debtor Interest is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Subsidiary Debtor Interests are not entitled to vote to accept or reject the Plan.

E. Subordination; Reservation of Rights to Reclassify Claims

The allowance, classification and treatment of Allowed Claims and the respective Distributions and treatments specified in the Plan take into account the relative priority and rights of the Claims in each Class and all contractual, legal and equitable subordination rights relating thereto, whether arising under specific contractual agreements, general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Except as expressly set forth in the Plan, consistent with section 510(a) of the Bankruptcy Code, nothing in the Plan shall, or shall be deemed to, modify, alter or otherwise affect any right of a holder of a Claim to enforce a subordination agreement, against any Person other than the Debtors to the same extent that such agreement is enforceable under applicable nonbankruptcy law. Pursuant to section 510 of the Bankruptcy Code, the Debtors reserve the right to reclassify any Disputed Claim in accordance with any applicable contractual, legal or equitable subordination.

F. Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims; Maximum Recovery

The classification and treatment of Allowed Claims under the Plan take into consideration all Allowed Secondary Liability Claims. On the Effective Date, Allowed Secondary Liability Claims will be treated as follows:

1. The Allowed Secondary Liability Claims arising from or related to any Debtor's joint or several liability for the obligations under any Executory Contract or Unexpired Lease that is being assumed or deemed assumed by another Debtor or under any Executory Contract or Unexpired Lease that is being assumed by and assigned to another Debtor will be Reinstated.

2. Except as provided in Section II.D.1. of the Plan, holders of Allowed Secondary Liability Claims against any Debtor will be entitled to only one Distribution from each Debtor Group in respect of the Liabilities related to such Allowed Secondary Liability Claim and will be deemed satisfied in full by the Distributions from each Debtor Group on account of the related underlying Allowed Claim. Notwithstanding the existence of a Secondary Liability Claim, no multiple recovery on account of any Allowed Claim against Debtors within the same Debtor Group will be provided or permitted.

G. Special Provisions Regarding Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtors' or the Reorganized Debtors' rights in respect of legal and equitable defenses to, or setoffs or recoupments against, any Unimpaired Claims.

H. Elimination of Vacant Classes

Any Class of Claims or Interests that does not have a holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing will be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

I. Voting Classes; Presumed Acceptance by Non-Voting Classes

If a Class contains Claims or Interests eligible to vote, and no holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, then such Class of Claims or Interests shall be deemed to have accepted the Plan.

J. Confirmation Without Acceptance by All Impaired Classes

The Debtors request Confirmation under section 1129(b) of the Bankruptcy Code in the event that any Impaired Class does not accept or is deemed not to accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Plan shall constitute a motion for such relief. The Debtors reserve the right to modify the Plan in accordance with Section X.A. of the Plan to the extent Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

K. Treatment of Executory Contracts and Unexpired Leases

1. Executory Contracts and Unexpired Leases to Be Assumed

a. **Assumption and Assignment Generally**

Except as otherwise provided in the Plan, in any contract, instrument, release or other agreement or document entered into in connection with the Plan or in a Final Order of the Bankruptcy Court, or as requested in any motion Filed on or prior to the Effective Date, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the applicable Debtor or Debtors will assume, or assume and assign, as indicated, each Executory Contract or Unexpired Lease listed on Exhibit III.A.1. to the Plan; provided, however, that the Debtors and the Reorganized Debtors reserve the right, at any time on or prior to the Effective Date, to amend Exhibit III.A.1. to the Plan to: (i) delete any Executory Contract or Unexpired Lease listed therein, thus providing for its rejection pursuant to Section III.B. of the Plan; (ii) add any Executory Contract or Unexpired Lease thereto, thus providing for its assumption, or assumption and assignment, pursuant to Section III.A.1. of the Plan; or (iii) modify the amount of any Cure Amount Claim. The Debtors and the Reorganized Debtors reserve the right, at any time until the date that is 30 days after the Effective Date, to amend Exhibit III.A.1. to the Plan to identify or change the identity of the Reorganized Debtor or other Person that will be an assignee of an Executory Contract or Unexpired Lease. Each contract and lease listed on Exhibit III.A.1. to the Plan will be assumed only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit III.A.1. to the Plan will not constitute an admission by a Debtor or Reorganized Debtor that such contract or lease (including any related agreements as described in Section III.A.2. of the Plan) is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder.

b. **Assumptions and Assignments of Ancillary Agreements**

Each Executory Contract or Unexpired Lease listed on Exhibit III.A.1. to the Plan will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any

agreement, instrument or other document that in any manner affects such contract or lease, irrespective of whether such agreement, instrument or other document is listed on Exhibit III.A.1. to the Plan, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section III.B. of the Plan or designated for rejection in accordance with Section III.A.3. of the Plan.

c. **Approval of Assumptions and Assignments; Assignments Related to Restructuring Transactions**

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption (including any related assignment resulting from the Restructuring Transactions or otherwise) of Executory Contracts and Unexpired Leases pursuant to Section III.A. of the Plan as of the Effective Date, except for Executory Contracts and Unexpired Leases that (i) have been rejected pursuant to a Final Order of the Bankruptcy Court, (ii) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (iii) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (iv) are rejected pursuant to Section III.B. of the Plan or (v) are designated for rejection in accordance with the second to last sentence of this paragraph. As of the effective time of an applicable Restructuring Transaction, any Executory Contract or Unexpired Lease to be held by any Debtor or Reorganized Debtor and assumed hereunder or otherwise in the Chapter 11 Cases, if not expressly assigned to a third party previously in the Chapter 11 Cases or assigned to a particular Reorganized Debtor pursuant to the procedures described in Section III.A. of the Plan, will be deemed assigned to the surviving, resulting or acquiring corporation in the applicable Restructuring Transaction, pursuant to section 365 of the Bankruptcy Code. If an objection to a proposed assumption, assumption and assignment, or Cure Amount Claim is not resolved in favor of the Debtors or the Reorganized Debtors, the applicable Executory Contract or Unexpired Lease may be designated by the Debtors or the Reorganized Debtors for rejection within ten (10) Business Days of the entry of the order of the Bankruptcy Court resolving the matter against the Debtors. Such rejection shall be deemed effective as of the Effective Date.

d. **Payments Related to the Assumption of Executory Contracts and Unexpired Leases**

Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the applicable Debtor or Reorganized Debtor: (i) by payment of the Cure Amount Claim in Cash on the Effective Date; or (ii) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding (i) the amount of any Cure Amount Claim, (ii) the ability of the applicable Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (iii) any other matter pertaining to the assumption or assignment of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order or the execution of a Stipulation of Amount and Nature of Claim resolving the dispute and approving the assumption and/or assignment.

e. **Contracts and Leases Entered Into After the Petition Date or Previously Assumed**

Contracts, leases and other agreements entered into after the Petition Date by a Debtor, including any Executory Contracts or Unexpired Leases assumed by a Debtor pursuant to a prior order of the Bankruptcy Court and not thereafter assigned or rejected, will be performed by such Debtor or Reorganized Debtor in the ordinary course of its business, and, if applicable, in accordance with any prior order assuming such Executory Contract or Unexpired Lease, as applicable. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order; provided, however, that any Executory Contracts or Unexpired Leases assumed by a Debtor and not previously assigned will be (i) assigned to the Reorganized Debtor or any other Person identified on Exhibit III.A.1. of the Plan, if any; or (ii) deemed assigned pursuant to Section III.A.3. of the Plan. The Debtors and the Reorganized Debtors reserve the right, at any time until the date that is 30 days after the Effective Date, to amend Exhibit III.A.1. of the Plan to identify or change the identity of the party that will be the assignee of an Executory Contract or Unexpired Lease.

f. **Customer Agreements**

To the extent that (i) the Debtors are party to any contract, purchase order or similar agreement providing for the sale of the Debtors' products or services, (ii) any such agreement constitutes an Executory Contract or Unexpired Lease and (iii) such agreement (1) has not been rejected pursuant to a Final Order of the Bankruptcy Court, (2) is not subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (3) is not subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (4) is not listed on Exhibit III.A.1. to the Plan, (5) is not listed on Exhibit III.B.1. to the Plan and (6) has not been designated for rejection in accordance with Section III.B. of the Plan, such agreement (including any related agreements), purchase order or similar agreement will be assumed by the Debtors and assigned, if applicable, to the Reorganized Debtor whose predecessor Debtor entity was party to such agreement or purchase order in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. The Cure Amount Claim to be paid in connection with the assumption of such a customer-related contract, purchase order or similar agreement that is not specifically identified on Exhibit III.A.1. to the Plan shall be $0.00. Listing a contract, purchase order or similar agreement providing for the sale of the Debtors' products or services on Exhibit III.A.1. to the Plan will not constitute an admission by a Debtor or Reorganized Debtor that such agreement is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder.

g. **Proofs of Claim Based on Executory Contracts or Unexpired Leases that Have Been Assumed**

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. Any and all proofs of Claim Filed with respect to Executory Contracts or Unexpired Leases that have been assumed in the Chapter 11 Cases, including pursuant to the Plan (except proofs of Claim asserting Cure Amount Claims not paid in accordance with the terms of the Plan or the order approving such assumption), including the Confirmation Order, shall be deemed disallowed and expunged from the claims register as of the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court.

h. **Surety Bonds; Indemnity Agreements**

Each Surety Bond shall be deemed assumed, with the Sureties' consent, in accordance with Section III.A. of the Plan, effective as of the Effective Date and each Reorganized Debtor party thereto shall pay any and all premium and other obligations due or that may become due on or after the Effective Date; provided that, in lieu of the assumption of a Surety Bond, a Surety may elect to issue a name-change rider to any such Surety Bond or to issue new surety bonds naming (on the same terms and conditions as the existing Surety Bonds) the applicable Reorganized Debtor as permittee/principal. Except as altered or modified in connection with any Restructuring Transactions, as specified in Section IV.F.2. of the Plan and except for the Gold Fields Debtors' assets and liabilities transferred to the Gold Fields Liquidating Trust, each obligation of a Debtor that is covered by a Surety Bond, including, but not limited to, obligations of the Debtors to various Governmental Units for reclamation of mines, are not being released, discharged, precluded or enjoined by the Plan or the Confirmation Order and shall remain obligations of the applicable Reorganized Debtor as of the Effective Date. Nothing contained in Section III.E. of the Plan shall constitute or be deemed a waiver of any Claim or Cause of Action that any Debtor may hold against any entity. On the Effective Date, provided that all unpaid premiums and loss adjustment expenses that are due to a Surety as of the Effective Date are paid to the applicable Surety, all associated proofs of Claim on account of or in respect of any agreement with such Surety covered by this section shall be deemed withdrawn automatically and without further notice to or action by the Bankruptcy Court and shall be expunged from the Claims Register.

Each Reorganized Debtor, except for the Gold Fields Debtors, shall be deemed to have assumed as of the Effective Date, and shall continue to perform under, any of its indemnity agreements in place with each such Surety immediately prior to the Petition Date (the "Indemnity Agreements"). To the extent that Restructuring Transactions create new corporate entities or change the relative corporate position of Peabody Energy Corporation as parent, then each new corporate entity and/or the new corporate parent will execute an Indemnity Agreement.

Notwithstanding the foregoing, if requested, each applicable Reorganized Debtor shall enter into a new indemnity agreement with the applicable Sureties which shall be on the same terms and conditions as the existing Indemnity Agreements with such Surety except as otherwise agreed by the Reorganized Debtors in their sole discretion. Failure to expressly identify any Indemnity Agreement on Exhibit III.A.1. of the Plan shall not imply or be deemed to be a rejection of or failure to assume such Indemnity Agreement. Notwithstanding any other provision of the Plan, all letters of credit, proceeds from drawn letters of credit, if any, or other collateral issued to the Sureties as security for a Debtor's and/or Reorganized Debtor's obligations under an existing or new Surety Bond or Indemnity Agreement shall remain in place to secure against any "loss" or "default" (as defined in the applicable Indemnity Agreement) incurred by the respective Surety in accordance with the applicable, assumed Indemnity Agreement, and the Sureties' respective rights to draw on such letters of credit pursuant to the applicable Indemnity Agreement shall remain unaffected.

Notwithstanding any other provisions of the Plan or Confirmation Order, nothing in the injunction and release provisions of the Plan, including Sections V.E.3. and V.E.4. of the Plan, shall be deemed to apply to the Sureties or to the Sureties' Claims, nor shall these provisions of the Plan be interpreted to bar, impair, alter, diminish or enlarge the rights or obligations of the Sureties vis-a-vis any parties other than the Debtors or the Reorganized Debtors, or prevent or otherwise limit the Sureties from exercising their rights under any of the Surety Bonds, letters of credit, Indemnity Agreements, Surface Mining Control and Reclamation Act or the common law of suretyship.

2. Rejection of Executory Contracts and Unexpired Leases

a. **Rejection Generally**

On the Effective Date, except for an Executory Contract or Unexpired Lease that was previously assumed, assumed and assigned, or rejected by an order of the Bankruptcy Court or that is assumed pursuant to Article III of the Plan (including any related agreements assumed or assumed and assigned pursuant to Section III.A.2. of the Plan), each Executory Contract or Unexpired Lease entered into by a Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms will be rejected pursuant to section 365 of the Bankruptcy Code. The Executory Contracts or Unexpired Leases to be rejected will include, but will not be limited to, the Executory Contracts or Unexpired Leases listed on Exhibit III.B.1. to the Plan, provided that the Debtors and the Reorganized Debtors reserve the right, at any time on or prior to the Effective Date, to amend Exhibit III.B.1. to the Plan to: (i) delete any Executory Contract or Unexpired Lease listed therein and add such Executory Contract or Unexpired Lease to Exhibit III.A.1. to the Plan, thus providing for its assumption, or assumption and assignment, pursuant to Sections III.A.1. and III.A.2. of the Plan; or (i) add any Executory Contract or Unexpired Lease to Exhibit III.B.1. to the Plan, notwithstanding any prior assumption of such Executory Contract or Unexpired Lease by the Debtors, thus providing for its rejection pursuant to Section III.B.1. of the Plan. Each contract and lease listed on Exhibit III.B.1. of the Plan will be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit III.B.1. to the Plan will not constitute an admission by a Debtor or Reorganized Debtor that such contract or lease is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder. Irrespective of whether an Executory Contract or Unexpired Lease is listed on Exhibit III.B.1. to the Plan, it will be deemed rejected unless such contract (i) is listed on Exhibit III.A.1. to the Plan as of the Effective Date, (ii) was previously assumed, assumed and assigned, or rejected by order of the Bankruptcy Court and was not subsequently added to Exhibit III.B.1. to the Plan or otherwise rejected by the Debtors prior to the Effective Date or (iii) is deemed assumed pursuant to the other provisions of Article III to the Plan. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (i) the Effective Date; or (ii) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Any Claims arising from the rejection of any Executory Contract or Unexpired Lease not previously assumed by the Debtors pursuant to an order of the Bankruptcy Court will be treated as General Unsecured Claims, subject to the provisions of section 502 of the Bankruptcy Code.

b. **Rejection Damages Bar Date**

Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired

Lease pursuant to the Plan must be Filed with the Bankruptcy Court and served upon counsel to the Debtors and Designated Co-Administrator and, if concerning the Gold Fields Debtors, the Gold Fields Liquidating Trustee, on or before the later of: (i) 30 days after the Effective Date; or (ii) for Executory Contracts identified on Exhibit III.B.1. to the Plan, 30 days after (1) a notice of such rejection is served under the Contract Procedures Order, if the contract counterparty does not timely file an objection to the rejection in accordance with the Contract Procedures Order or (2) if such an objection to rejection is timely filed with the Bankruptcy Court in accordance with the Contract Procedures Order, the date that an order is entered approving the rejection of the applicable contract or lease or the date that the objection to rejection is withdrawn. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from the Debtors, the Reorganized Debtors or the Estates.

c. **Executory Contract and Unexpired Lease Notice Provisions**

In accordance with, and subject to, the Contract Procedures Order, the Debtors or the Reorganized Debtors, as applicable, will provide (i) notice to each counterparty to an Executory Contract or Unexpired Lease that is being assumed pursuant to the Plan of: (1) the contract or lease being assumed; (2) the Cure Amount Claim, if any, that the applicable Debtor believes it would be obligated to pay in connection with such assumption; (3) any assignment of an Executory Contract or Unexpired Lease (pursuant to the Restructuring Transactions or otherwise); and (4) the procedures for such party to object to the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease; (ii) notice to each party whose Executory Contract or Unexpired Lease is being rejected pursuant to the Plan; (iii) notice to each party whose Executory Contract or Unexpired Lease is being assigned pursuant to the Plan; (iv) notice of any amendments to Exhibit III.B.1. to the Plan; and (e) any other notices relating to the assumption, assumption and assignment, or rejection of Executory Contracts or Unexpired Leases required under the Plan or the Contract Procedures Order in accordance with the Contract Procedures Order.

3. Obligations to Indemnify Directors, Officers and Employees

Prior to the Effective Date, the Debtors (a) shall make arrangements to continue liability and fiduciary (including ERISA) insurance, or purchase a tail policy or policies, for the period from and after the Effective Date, for the benefit of any person who is serving or has served as one of the Debtors' directors, officers or employees at any time from and after the Petition Date and (b) shall fully pay the premium for such insurance. Any and all directors and officers liability and fiduciary (including ERISA) insurance or tail policies in existence as of the Effective Date shall be continued in accordance with their terms and, to the extent applicable, shall be deemed assumed by the applicable Debtor pursuant to section 365 of the Bankruptcy Code.

The obligations of each Debtor or Reorganized Debtor to indemnify any person who was serving as one of its directors, officers or employees on or after the Petition Date by reason of such person's prior or future service in such a capacity, or as a director, officer or employee of another corporation, partnership or other legal entity at the applicable Debtor's request, to the extent provided in the applicable certificates of incorporation, bylaws or similar constituent documents, by statutory law or by written agreement, policies or procedures of or with such Debtor or Reorganized Debtor, will be deemed and treated as Executory Contracts that are assumed by the applicable Debtor or Reorganized Debtor pursuant to the Plan and section 365 of the Bankruptcy Code as of the Effective Date. Accordingly, such indemnification obligations will survive and be unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date.

The obligations of each Debtor or Reorganized Debtor to indemnify any person who was serving as one of its directors, officers or employees prior to but not on or after the Petition Date by reason of such person's prior service in such a capacity, or as a director, officer or employee of another corporation, partnership or other legal entity at the applicable Debtor's request, to the extent provided in the applicable certificates of incorporation, bylaws or similar constituent documents, by statutory law or by written agreement, policies or procedures of or with such Debtor or otherwise, will terminate and be discharged pursuant to section 502(e) of the Bankruptcy Code or otherwise as of the Effective Date; provided, however, that to the extent that such indemnification obligations no longer give rise to contingent Claims that can be disallowed pursuant to section 502(e) of the Bankruptcy Code, such indemnification obligations will be deemed and treated as Executory Contracts that are rejected by the applicable Debtor or Reorganized Debtor pursuant to the Plan and section 365 of the Bankruptcy Code as of the Effective Date,

and any Claims arising from such indemnification obligations (including any rejection damage claims) will be subject to the bar date provisions of Section III.B.2. of the Plan.

4. No Change in Control

The consummation of the Plan, the implementation of the Restructuring Transactions or the assumption, or assumption and assignment, of any Executory Contract or Unexpired Lease to a Reorganized Debtor is not intended to, and shall not, constitute a change in ownership or change in control under any employee benefit plan or program (including the LTIP), financial instrument, loan or financing agreement, Executory Contract or Unexpired Lease or contract, lease or agreement in existence on the Effective Date to which a Debtor is a party.

VII.

VOTING REQUIREMENTS

The Disclosure Statement Order entered by the Bankruptcy Court approved certain procedures for the Debtors' solicitation of votes to approve the Plan, including setting the deadline for voting, identifying which holders of Claims are eligible to receive Ballots to vote on the Plan and establishing certain other voting procedures.

THE DISCLOSURE STATEMENT APPROVAL ORDER IS HEREBY INCORPORATED BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN. YOU SHOULD READ THE DISCLOSURE STATEMENT APPROVAL ORDER, THE CONFIRMATION HEARING NOTICE AND THE INSTRUCTIONS ATTACHED TO YOUR BALLOT IN CONNECTION WITH THIS SECTION, AS THEY SET FORTH IN DETAIL, AMONG OTHER THINGS, PROCEDURES GOVERNING VOTING DEADLINES AND OBJECTION DEADLINES.

If you have any questions about the procedures for voting your Claim or the Solicitation Package you received, or if you would like to obtain a paper copy of this Disclosure Statement, the Plan or any of the documents attached hereto or referenced herein, or have questions about the Debtors' Chapter 11 Cases generally, please contact the Claims and Balloting Agent (A) by telephone (1) toll-free at (a) (866) 967-1783 or (b) (877) 833-4150 (for Master Ballot Agents), (2) for callers outside of the United States or Canada at (a) (310) 751-2683 or (b) (917) 281-4800 (for Master Ballot Agents), (3) for inquiries related to Australia for callers in Australia at 1300 386 742 or (4) for inquiries related to Australia for callers outside Australia at +61 3 9415 4613; (B) by email at PeabodyInfo@kccllc.com; or (C) in writing at Peabody Energy Corporation Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245.

A. Voting Deadline

This Disclosure Statement and the appropriate Ballot(s) are being distributed to all holders of Claims that are entitled to vote on the Plan. In order to facilitate vote tabulation, there is a separate Ballot designated for each impaired voting Class; however, all Ballots are substantially similar in form and substance, and the term "Ballot" is used without intended reference to the Ballot of any specific Class of Claims.

IN ACCORDANCE WITH THE DISCLOSURE STATEMENT ORDER, IN ORDER TO BE CONSIDERED FOR PURPOSES OF ACCEPTING OR REJECTING THE PLAN, ALL BALLOTS MUST BE ACTUALLY RECEIVED BY THE CLAIMS AND BALLOTING AGENT NO LATER THAN 5:00 P.M. (PREVAILING CENTRAL TIME) ON MARCH 3, 2017, WHICH IS THE VOTING DEADLINE. BALLOTS SUBMITTED BY BENEFICIAL OWNERS OF SECOND LIEN NOTES, UNSECURED SENIOR NOTES OR UNSECURED SUBORDINATED NOTES TO A MASTER BALLOT AGENT MUST BE RECEIVED BY SUCH MASTER BALLOT AGENT WITH SUFFICIENT TIME TO ENABLE THE MASTER BALLOT AGENT TO DELIVER A MASTER BALLOT TO THE CLAIMS AND BALLOTING AGENT BY THE VOTING DEADLINE. ONLY THOSE BALLOTS ACTUALLY RECEIVED BY THE CLAIMS AND BALLOTING AGENT BEFORE THE VOTING DEADLINE WILL BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN. EXCEPT AS MAY BE ALLOWED WITH RESPECT TO MASTER BALLOTS, WHICH BALLOTS MAY BE SUBMITTED BY EMAIL, NO BALLOTS MAY BE SUBMITTED BY EMAIL OR OTHER

MEANS OF ELECTRONIC SUBMISSION, AND ANY BALLOTS OTHER THAN MASTER BALLOTS SUBMITTED BY ELECTRONIC MAIL OR OTHER MEANS OF ELECTRONIC SUBMISSION WILL NOT BE ACCEPTED BY THE CLAIMS AND BALLOTING AGENT.

B. Holders of Claims Entitled to Vote

Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is deemed to be "impaired" under a plan unless: (1) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or equity interest entitles the holder thereof; or (2) notwithstanding any legal right to an accelerated payment of such claim or equity interest, the plan (a) cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy), (b) reinstates the maturity of such claim or equity interest as it existed before the default, (c) compensates the holder of such claim or interest for any damages resulting from such holder's reasonable reliance on such legal right to an accelerated payment, (d) compensates the holder of a claim arising from any failure to perform a nonmonetary obligation (other than a default arising from failure to operate nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code) for any actual pecuniary loss incurred by such holder as a result of such failure and (e) does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

In general, a holder of a claim or equity interest may vote to accept or reject a plan if (1) the claim or equity interest is "allowed," which means generally that it is not disputed, contingent or unliquidated, and (2) the claim or equity interest is impaired by a plan. However, if the holder of an impaired claim or equity interest will not receive any distribution under the plan on account of such claim or equity interest, the Bankruptcy Code deems such holder to have rejected the plan and provides that the holder of such claim or equity interest is not entitled to vote on the plan. If the claim or equity interest is not impaired, the Bankruptcy Code conclusively presumes that the holder of such claim or equity interest has accepted the plan and provides that the holder is not entitled to vote on the plan.

Except as otherwise provided in the Disclosure Statement Order, the holder of a Claim or Interest against one or more Debtors that is "impaired" under the Plan is entitled to vote to accept or reject the Plan if: (1) the Plan provides a Distribution in respect of such Claim or Interest; and (2) the Claim has been scheduled by the appropriate Debtor (and is not scheduled as disputed, contingent or unliquidated), the holder of such Claim has timely Filed a proof of claim or a proof of claim was deemed timely Filed by an order of the Bankruptcy Court prior to the Voting Deadline.

AS SET FORTH IN THE CONFIRMATION HEARING NOTICE AND IN THE DISCLOSURE STATEMENT ORDER, DISPUTED, CONTINGENT OR UNLIQUIDATED CLAIMS WILL BE TEMPORARILY ALLOWED FOR VOTING PURPOSES IN THE AMOUNT OF $1.00. ANY CLAIMANT THAT SEEKS TO CHALLENGE THE CLASSIFICATION OF ITS CLAIM OR INTEREST OR THE ALLOWANCE OF ITS CLAIM OR INTEREST FOR VOTING PURPOSES IN ACCORDANCE WITH THE COURT-APPROVED TABULATION RULES MUST FILE A MOTION TO HAVE ITS CLAIMS TEMPORARILY ALLOWED FOR VOTING PURPOSES SO THAT IT IS RECEIVED BY THE LATER OF: (1) FEBRUARY 22, 2017; OR (2) TEN (10) DAYS AFTER THE DATE OF SERVICE OF A NOTICE OF OBJECTION, IF ANY, TO SUCH CLAIM.

A vote on the Plan may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Disclosure Statement Order also sets forth assumptions and procedures for determining the amount of Claims that each creditor is entitled to vote in these Chapter 11 Cases and how votes will be counted under various scenarios.

If a Class contains Claims eligible to vote, but no Holders of such Claims vote to accept or reject the Plan, the Debtors may request that the Plan be presumed to be accepted by the Holders of such Claims in such Class.

C. Vote Required for Acceptance by a Class

A Class of Claims will have accepted the Plan if it is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims in such Class that have voted on the Plan in accordance with the Disclosure Statement Order.

D. Vote for Acceptance of the Plan is Consent to Be Bound By Releases

Section V.E.4. of the Plan provides that all holders of Claims that are (1) are unimpaired and deemed to have accepted the Plan or (2) are permitted to vote to accept or reject the Plan and vote to accept the Plan shall release the Released Parties (as defined in the Plan) from certain claims, causes of action, interests, obligations, debts, rights, suits, damages, remedies and liabilities as set forth in the Plan (the "Releases"). The Ballots and the Non-Voting Notice will state that acceptance of the Plan binds the claimant to the Releases. Creditors that are (1) deemed to reject the Plan or are (2) entitled to vote on the Plan and (a) vote to reject the Plan or (b) abstain from voting to accept or reject the Plan are not bound by the Releases.

VIII.

CONFIRMATION OF THE PLAN

A. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to conduct a hearing at which it will hear objections (if any) and consider evidence with respect to whether the Plan should be confirmed. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code, described below, are met.

The Confirmation Hearing has been scheduled to begin on March 16, 2017 at 10:00 a.m., prevailing Central Time, before the Honorable 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.

B. Deadline to Object to Confirmation

Objections, if any, to the Confirmation of the Plan 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; (3) state with particularity the basis and nature of any objection; and (4) be Filed with the Bankruptcy Court and served on the following parties so that they are received no later than March 9, 2017:

- 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 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.

1. Requirements of Section 1129(a) of the Bankruptcy Code

A moneyed, business or commercial corporation or trust must satisfy the following requirements, pursuant to section 1129(a) of the Bankruptcy Code before the Bankruptcy Court may confirm its plan of reorganization.

- The plan complies with the applicable provisions of the Bankruptcy Code.
- The proponent(s) of the plan complies with the applicable provisions of the Bankruptcy Code.
- The plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made, or to be made by a proponent, by the debtor or by a person issuing securities or acquiring property under a plan, for services or for costs and expenses in or in connection with the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court, as reasonable.
- The proponent(s) of a plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor or a successor to the debtor under the plan, and the appointment to, or continuance in, such

office of such individual is consistent with the interests of creditors and equity holders and with public policy.

- The proponent(s) of the plan has disclosed the identity of any insider (as defined in section 101 of the Bankruptcy Code) that will be employed or retained by the reorganized debtor, and the nature of any compensation for such insider.

- Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

- With respect to each impaired Class of claims or interests:

  - each holder of a claim or interest of such class: (a) has accepted the plan; or (b) will receive or retain under the plan, on account of such claim or interest, property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date; or

  - if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, each holder of a claim of such Class will receive or retain under the plan, on account of such claim, property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

- With respect to each class of claims or interests, such class (a) has accepted the plan or (b) is not impaired under the plan (subject to the "cramdown" provisions discussed in Section VIII.C.4. herein).

- Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:

  - with respect to a claim of a kind specified in sections 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of the claim will receive on account of such claim cash equal to the allowed amount of such claim;

  - with respect to a class of claim of the kind specified in sections 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive: (a) if such class has accepted the plan, deferred cash payments of a value, on the effective date of the plan, equal to the allowed amount of such claim; or (b) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim;

  - with respect to a claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of such claim will receive on account of such claim, regular installment payments in cash of a total value, as of the effective date of the plan, equal to the allowed amount of such claim over a period ending not later than 5 years after the date of the order for relief under section 301, 302 or 303 of the Bankruptcy Code and in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b) of the Bankruptcy Code); and

  - with respect to a secured claim which would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8) of the Bankruptcy Code, but for the secured status of that claim, the holder of that claim will receive, on account of that

claim, cash payments in the same manner and over the same period as prescribed in the immediately preceding bullet point above.

- If a class of claims is impaired under the plan, at least one class of claims that is impaired under the plan has accepted the plan, determined without including any acceptance of the plan by any insider (as defined in section 101 of the Bankruptcy Code).
- Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.
- All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan.
- The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or subsection (g) of section 1114 of the Bankruptcy Code, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.
- All transfers of property under the plan shall be made in accordance with any applicable provisions of nonbankruptcy law that governs the transfer of property by a corporation or a trust that is not a moneyed, business or commercial corporation or trust.

The Debtors believe that the Plan meets all the applicable requirements of section 1129(a) of the Bankruptcy Code other than those pertaining to voting, which has not yet taken place.

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 ENTITY, AS TO THE ACCURACY OF THE PROJECTIONS, OR THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THESE PROJECTIONS. FOR FURTHER INFORMATION ON THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, PLEASE REFER TO THE NARRATIVE AND NOTES TO EXHIBIT C TO THIS DISCLOSURE STATEMENT.

4. Requirements of Section 1129(b) of the Bankruptcy Code

The Bankruptcy Code permits confirmation of a plan even if it is not accepted by all impaired classes, as long as (a) the plan otherwise satisfies the requirements for confirmation, (b) at least one impaired class of claims has accepted the plan without taking into consideration the votes of any insiders in such class and (c) the plan is "fair and equitable" and does not "discriminate unfairly" as to any impaired class that has not accepted the plan. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code.

a. Fair and Equitable

The Bankruptcy Code establishes different "cramdown" tests for determining whether a plan is "fair and equitable" to dissenting impaired classes of secured creditors, unsecured creditors and equity interest holders, as follows:

- Secured Creditors. A plan is fair and equitable to a Class of secured claims that rejects the plan if the plan provides: (i) that each holder of a secured claim included in the rejecting class (I) retains the liens securing its claim to the extent of the allowed amount of such claim, whether the property subject to those liens is retained by the debtor or transferred to another entity and (II) receives on account of its secured claim deferred cash payments having a present value, as of the effective date of the plan, at least equal to such holder's interest in the estate's interest in such property; (ii) that each holder of a secured claim included in the rejecting class realizes the "indubitable equivalent" of its allowed secured claim; or (iii) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of such liens with such liens to attach to the proceeds of the

sale, and the treatment of such liens on proceeds in accordance with clause (i) or (ii) of this paragraph.

- Unsecured Creditors. A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the plan provides that: (i) each holder of a claim included in the rejecting class receives or retains under the plan property of a value, as of the effective date of the plan, equal to the amount of its allowed claim; or (ii) the holders of claims and interests that are junior to the claims of the rejecting class will not receive or retain any property under the plan on account of such junior claims or interests.
- Holders of Interests. A plan is fair and equitable as to a class of interests that rejects the plan if the plan provides that: (i) each holder of an equity interest included in the rejecting class receives or retains under the plan property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of (I) any fixed liquidation preference to which such holder is entitled, (II) any fixed redemption price to which such holder is entitled or (III) the value of the interest; or (ii) the holder of any interest that is junior to the interests of the rejecting class will not receive or retain any property under the plan on account of such junior interest.

The Debtors believe the Plan is fair and equitable as to holders of Secured Claims because the Plan provides each holder of a Secured Claim in Classes 1A – 1D and 2A – 2D that is impaired under the Plan (i) in the case of the First Lien Lenders, (I) Cash equal to the full amount of the Allowed First Lien Lender Claims, including interest at the default interest rate or, (II) if the Debtors have not received the full $1.5 billion in commitments from the Exit Facility, (A) a pro rata share of an up to $1.5 billion Replacement Secured First 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.

E. Conditions Precedent to the Effective Date

The Effective Date will not occur, and the Plan will not be consummated, unless and until the following conditions have been satisfied or duly waived pursuant to Section V.C. of the Plan:

- The Bankruptcy Court shall have entered the Confirmation Order.
- The Confirmation Order shall have become a Final Order.
- All documents and agreements necessary to consummate the Plan shall have been effected and executed.
- If applicable, the conditions to closing the Exit Facility shall have occurred or will occur on the Effective Date and the Debtors or Reorganized Debtors, as applicable, shall have received (or will receive in connection with the consummation of the Plan) the amounts required to be funded thereunder.
- If applicable, the conditions to issuing the Replacement Secured First Lien Term Loan shall have occurred or will occur on the Effective Date.
- The conditions to consummating the Private Placement and the Rights Offering shall have been satisfied or waived by the parties thereto, and the Reorganized Debtors shall have received (or will receive simultaneously with the consummation of the Plan) the amounts required to be funded thereunder in the aggregate gross amount of not less than $1.5 billion.
- The MEPP Claim shall be resolved in a manner satisfactory to the Debtors, subject to the reasonable approval of the Requisite Members of the Noteholder Steering Committee and the Requisite First Lien Lender Co-Proponents if for an amount above the amounts held in reserve by the Debtors for such claim.
- The Debtors shall have received all authorizations, consents, legal and regulatory approvals, rulings, letters, no-action letters, opinions or documents that are necessary to implement and consummate the Plan and that are required by law, regulation or order and any and all steps necessary to consummate the Plan in any applicable jurisdictions other than the United States have been effectuated, including completion of the Restructuring Transactions and the other transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan.

- The Debtors shall have obtained a Bonding Solution to cover all of their self-bonding reclamation obligations in accordance with applicable laws and regulations.
- Any waiting period applicable to the Debtors' restructuring under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or similar law or statute shall have been terminated or shall have expired.
- All of the schedules, documents, supplements and exhibits to the Plan shall be substantially in form and substance as required by the PSA.
- The Rights Offering Backstop Commitment Agreement shall not have been terminated.
- The PSA shall have not been terminated.
- All fees provided for in the Final DIP Order, including the reasonable and documented fees and expenses of the legal and financial advisors of Citibank or the First Lien Lenders (subject to and in accordance with the terms of the First Lien Credit Agreement) incurred in connection with the Chapter 11 Cases prior to the Effective Date and for which the Debtors have received invoices, shall have been paid in full by the Debtors.
- The Plan and all Confirmation Exhibits shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material 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.

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 waiver or release of any Claims by or against, or any Interest in, any Debtor, (2) an admission of any sort by the Debtors or any other party in interest or (3) 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.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) 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.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;**

iii. **creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtors, their Estates or Assets or the Reorganized Debtors, or the respective assets or property thereof, other than as contemplated by the Plan;**

iv. **except as provided in the Plan, asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due a Debtor or Reorganized Debtor, or the respective assets or property thereof; and**

v. **proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth in the Plan to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation.**

b. All Persons that have held, currently hold or may hold any Liabilities released or exculpated pursuant to Sections V.E.4. and V.E.5. of the Plan, respectively, will be permanently enjoined from taking any of the following actions against any Released Party or its property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any Lien; (iv) except as provided in the Plan, asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

4. Releases

a. **General Releases by Debtors and Reorganized Debtors**

Without limiting any other applicable provisions of, or releases contained in, the Plan, as of the Effective Date, the Debtors and the Reorganized Debtors, on behalf of themselves and their affiliates, the Estates and their respective successors, assigns and any and all Persons who may purport to claim by, through, for or because of them, will forever release, waive and discharge all Liabilities that they have, had or may have against any Released Party except with respect to obligations arising under the Plan; provided, however, that the foregoing provisions shall not affect the liability of any Released Party that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct.

b. **General Releases by Holders of Claims or Interests**

Without limiting any other applicable provisions of, or releases contained in, the Plan, as of the Effective Date, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each holder of a Claim or Interest that (i) votes in favor of the Plan or (ii) is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code, to the fullest extent permissible under law, will be deemed to forever release, waive and discharge all Liabilities in any way relating to: (I) any Debtor; (II) the Chapter 11 Cases; (III) the Estates; (IV) the formulation, preparation, negotiation, dissemination, implementation, administration, Confirmation or consummation of any of the Plan (or the property to be distributed under the Plan), the Confirmation Exhibits, the Disclosure Statement, the Exit Facility, the Replacement Secured First Lien Term Loan, the New Second Lien Notes (if applicable), the Additional First Lien Debt (if applicable), the Rights Offering and the Rights Offering Documents, the Private Placement and the Private Placement Documents, the Rights Offering Backstop Commitment Agreement, the Private Placement Agreement, the Amended Securitization Facility, the Gold Fields Liquidating Trust Agreement, any contract, employee pension or other benefit plan, instrument, release or other agreement or document related to any Debtor, the Chapter 11 Cases or the Estates created, modified, amended, terminated or entered into in connection with either the Plan or any agreement between the Debtors and any Released Party; or (V) any other act taken or omitted to be taken in connection with the Chapter 11 Cases, including, without limitation, acts or omissions occurring after the Confirmation Date in connection with Distributions made consistent with the terms of the Plan by any Disbursing Agent or Third Party Disbursing Agent, that such Person has, had or may have against any Released Party (which release will be in addition to the discharge of Claims and termination of Interests provided herein and under the Confirmation Order and the Bankruptcy Code); provided, however, that the foregoing provisions shall not affect the liability of any Released Party that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that the foregoing provisions shall not affect any rights to enforce the Plan, the Exit Facility, the Replacement Secured First Lien Term Loan (if applicable), the New Second Lien Notes (if applicable), the Additional First Lien Debt (if applicable), the Rights Offering and the Rights Offering Documents, the Private Placement and the Private Placement Documents, the Rights Offering Backstop Commitment Agreement, the Private Placement Agreement, the Amended Securitization Facility, the Gold Fields Liquidating Trust Agreement or the other contracts, instruments, releases, agreements or documents to be, or previously, entered into or delivered in connection with the Plan.

c. **Release of Released Parties by Other Released Parties**

From and after the Effective Date, except with respect to obligations arising under the Plan, the Exit Facility, the Replacement Secured First Lien Term Loan (if applicable), the New Second Lien Notes (if applicable), the Additional First Lien Debt (if applicable), the Rights Offering and the Rights Offering Documents, the Private Placement and the Private Placement Documents and the Rights Offering Backstop Commitment Agreement and the Private Placement Agreement, and the Amended Securitization Facility, the Gold Fields Liquidating Trust Agreement, to the fullest extent permitted by applicable law, the Released Parties shall release one another from any and all Liabilities that any Released Party is entitled to assert against any other Released Party in any way relating to: (i) any Debtor; (ii) the Chapter 11 Cases; (iii) the Estates; (iv) the formulation, preparation, negotiation, dissemination, implementation, administration, Confirmation or consummation of any of the Plan (or the property to be distributed under the Plan), the Confirmation Exhibits, the Disclosure Statement, the Exit Facility, the Replacement Secured First Lien Term Loan (if applicable), the New Second Lien Notes (if applicable), the Additional First Lien Debt (if applicable), the Rights Offering and the Rights Offering Documents, the Private Placement and the Private Placement Documents, the Rights Offering Backstop Commitment Agreement, the Private Placement Agreement, the Amended Securitization Facility, the Gold Fields Liquidating Trust Agreement, any contract, employee pension or other benefit plan, instrument, release or other agreement or document related to any Debtor, the Chapter 11 Cases or the Estates created, modified, amended, terminated or entered into in connection with either the Plan or any agreement between the Debtors and any Released Party; or (v) any other act taken or omitted to be taken in connection with the Chapter 11 Cases, including, without limitation, acts or omissions

occurring after the Confirmation Date in connection with Distributions made consistent with the terms of the Plan by any Disbursing Agent or Third Party Disbursing Agent; provided, however, that the foregoing provisions shall not affect the liability of any Released Party that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct.

5. Exculpation

From and after the Effective Date, except as otherwise specifically provided in the Plan or the Confirmation Order, to the fullest extent permitted by applicable law, the Released Parties shall neither have nor incur any liability to any Person or entity with respect to any and all Claims and Causes of Action in connection with, relating to or arising out of the Chapter 11 Cases, including, without limitation, Claims and Causes of Actions relating to or arising out of acts or omissions occurring after the Confirmation Date in connection with Distributions made consistent with the terms of the Plan by any Disbursing Agent or Third Party Disbursing Agent, the restructuring of the Debtors, the formulation, negotiation, preparation, dissemination, implementation, administration, solicitation, Confirmation or consummation of the Plan, the Restructuring Term Sheet, the Disclosure Statement, the PSA, the settlements set forth in the Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or in relation to the Plan, including, without limitation, the Confirmation Exhibits, the Exit Facility, the Replacement Secured First Lien Term Loan (if applicable), the New Second Lien Notes (if applicable), the Additional First Lien Debt (if applicable), the Rights Offering and the Rights Offering Documents, the Private Placement and the Private Placement Documents, the Rights Offering Backstop Commitment Agreement, the Private Placement Agreement, the Gold Fields Liquidating Trust Agreement, the issuance of the Reorganized PEC Common Stock, Rights Offering Equity Rights, Penny Warrants, Preferred Equity, LTIP Shares, the Amended Securitization Facility or any act taken or omitted to be taken in connection with or relating to any of the foregoing; provided, however, that the foregoing shall not affect the liability of any Released Party that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct. Any of the foregoing parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

6. Other Provisions Regarding Release; Discharge; Injunction

a. Nothing in the Plan or the Confirmation Order:

i. releases, discharges, exculpates, precludes or enjoins the enforcement of:

A. any liability or obligation to, or any claim or any cause of action by, a Governmental Unit under any applicable Environmental Law to which any Reorganized Debtor is subject to the extent that it is the owner, lessee, permittee, or operator of real property or a mining operation after the Effective Date (whether or not such liability, obligation, claim or cause of action is based in whole or in part on acts or omissions prior to the Effective Date, but only to the extent applicable Environmental Law imposes such claim or cause of action on such Reorganized Debtor in its capacity as the owner, lessee, permittee or operator of real property or as a mining operation after the Effective Date; but only to the extent applicable Environmental Law imposes such claim or cause of action on such Reorganized Debtor in its capacity as the owner, lessee, permittee or operator of real property or a mining operation after the Effective Date);

B. any claim of a Governmental Unit under any Environmental Law, or other applicable police or regulatory law, in each case, that, in accordance with the Bankruptcy Code and bankruptcy law, arises from the mining operation of any Reorganized Debtor;

C. any liability to a Governmental Unit on the part of any Person or entity other than the Debtors or the Reorganized Debtors or their predecessors, successors or assigns, or any claim assertable by a Governmental Unit against any Person or entity other than the Debtors or the Reorganized Debtors; or

ii. except for transfer of the Gold Fields Debtors' assets to the Gold Fields Liquidating Trust, authorizes the transfer or assignment of any (i) license, (ii) permit, (iii) registration, (iv) lease, (v) authorization, (vi) approval, (vii) agreement or (viii) contract, in each case, with a Governmental Unit, to the extent required by Section 365 of the Bankrutpcy Code, without compliance with all applicable legal requirements, court orders and approvals under non-bankruptcy laws and regulations.

b. Except with respect to the United Mine Workers of American 1974 Pension Plan Trust (which is not a Pension Plan) and the MEPP Claim (which shall be treated and discharged in the Plan), no provision contained herein or section 1141 of the Bankruptcy Code shall be construed as discharging, releasing or relieving any party from liability it may have with respect to the Pension Plans under the law, government policy or regulatory provision. The PBGC and the Pension Plans shall not be enjoined or precluded from enforcing such liability or responsibility against any party as a result of any of the provisions for satisfaction, release, injunction, exculpation and discharge of Claims in the Plan or any other document filed in the Chapter 11 Cases.

c. Notwithstanding any of the foregoing release, discharge and exculpation provisions, nothing in the Plan, the Confirmation Order, or any other instrument or document to the Plan shall release, enjoin or otherwise affect the prosecution of the claim and Causes of Action that have been or could be asserted against any non-Debtor defendant named or to be named in the litigation captioned *Lori J. Lynn, et al., v. Peabody Energy Corp., et al.*,

Case No. 4:15-cv-00916-AGF, pending in the United States District Court for the Eastern District of Missouri and as described in proofs of Claim number 5998, 5999, 6002.

7. Termination of Certain Subordination Rights and Settlement of Related Claims and Controversies

a. **Termination**

The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights, whether arising under general principles of equitable subordination, contract, section 510(c) of the Bankruptcy Code or otherwise, that a holder of a Claim or Interest may have against other Claim or Interest holders with respect to any Distribution made pursuant to the Plan. Except as provided in the Plan, all subordination rights that a holder of a Claim may have with respect to any Distribution to be made pursuant to the Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination rights shall be permanently enjoined.

b. **Settlement**

Pursuant to Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all claims or controversies relating to the subordination rights that a holder of a Claim may have with respect to any Allowed Claim or any Distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order shall 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 such compromise or settlement is in the best interests of the Debtors, the Reorganized Debtors and their respective property and Claim and Interest holders and is fair, equitable and reasonable.

8. Dissolution of Creditors' Committee

On the Effective Date, the Creditors' Committee and any other official committees appointed in the Chapter 11 Cases will dissolve; provided, however, that, following the Effective Date, the Creditors' Committee shall continue in existence and have standing and a right to be heard for the following limited purposes: (a) Claims and/or applications, and any relief related thereto, for compensation by Professionals and requests for allowance of Administrative Expense Claims for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code; (b) any appeals of the Confirmation Order or to which the Creditors' Committee is a party; and (c) responding to creditor inquiries for one hundred twenty (120) days following the Effective Date. Upon the dissolution of the Creditors' Committee, the members of the Creditors' Committee and their respective Professionals will cease to have any duty, obligation or role arising from or related to the Chapter 11 Cases and shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases. The Professionals retained by the Creditors' Committee and the respective members thereof will not be entitled to assert any Fee Claim whatsoever for any services rendered or expenses incurred after the Effective Date in their capacity as Professionals for the Creditors' Committee, except for reasonable and documented fees and expenses incurred in connection with the filing, preparation and defense of any fee application and in connection with the other continued limited purposes identified above, which may be paid by the Reorganized Debtors without the need for further Bankruptcy Court approval; provided that any disputes regarding the reasonableness of such fees and expenses shall be subject to resolution by the Bankruptcy Court.

9. Preservation of Causes of Action

Except as otherwise provided in the Plan, any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, or any Final Order of the Bankruptcy Court, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, (a) the Reorganized Debtors will retain and may enforce any claims, demands, rights, defenses and Causes of Action that the Debtors (excluding the Gold Fields Debtors) or the Estates may hold against any Person and (b) the Gold Fields Liquidating Trust will retain and may enforce, pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, any claims, demands, rights, defenses

and Causes of Action that the Gold Fields Debtors or their Estates may hold against any Person except for all Intercompany Claims by and between the Gold Fields Debtors and any other Debtor and all other Claims and Causes of Action the Gold Fields Debtors have or may have against any other Debtor, which excluded Claims and Causes of Action shall be deemed, settled, released and discharged pursuant to the global settlement embodied in the Plan. Notwithstanding the foregoing sentence, as of the Effective Date, the Debtors shall release all preference actions under section 547 of the Bankruptcy Code against any holder of a General Unsecured Claim or Convenience Claim.

10. Liabilities Under Black Lung Act

Notwithstanding anything in the Plan or the Confirmation Order to the contrary, nothing in the Plan or the Confirmation Order releases, discharges, exculpates, precludes, or enjoins the enforcement of any liability or obligation of the Debtors, the Reorganized Debtors, or any predecessor thereto under the Black Lung Act, or any liability or obligation of any Person or entity under any insurance policy, surety bond, letter of credit, or other instrument securing any liability or obligation of the Debtors, the Reorganized Debtors, or any predecessor thereto under the Black Lung Act.

Notwithstanding anything in the Plan or the Confirmation Order to the contrary, nothing in the Plan or the Confirmation Order shall (a) result in a waiver or release of any of the Debtors' or Reorganized Debtors' claims, defenses or Causes of Action under applicable nonbankruptcy law related to the Black Lung Act or any Liability or obligation the Debtors or Reorganized Debtors may, or may not, have thereunder or (b) be prejudicial in any manner to the rights and defenses that the Debtors and Reorganized Debtors may have under applicable nonbankruptcy law with respect to Liabilities arising under the Black Lung Act.

I. Retention of Jurisdiction by the Bankruptcy Court

Pursuant to sections 105(c) and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, exclusive jurisdiction to:

- Allow, disallow, estimate, determine, liquidate, reduce, classify, re-classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of (1) any request for payment of any Administrative Expense Claim and (2) any and all objections to the amount, allowance, priority or classification of Claims or Interests;

- Either grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

- Resolve any matters related to the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which any Debtor is a party or with respect to which any Debtor or Reorganized Debtor may be liable and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including any Cure Amount Claims;

- Ensure that Distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

- Decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and either grant or deny any applications Filed in the Bankruptcy Court involving any Debtor or any Reorganized Debtor that may be pending on the Effective Date or brought thereafter;

- Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement and the Confirmation Order;

- Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan, including the Private Placement Documents and the Private Placement Agreement, the Rights Offering Documents and the Rights Offering Backstop Commitment Agreement, the Gold Fields Liquidating Trust Agreement or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any Person's or entity's rights arising from or obligations incurred in connection with the Plan or such documents;

- Modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code; modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order; or remedy any defect or omission or reconcile or clarify any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into, delivered or created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

- Hear and determine any matter, case, controversy, suit, dispute, or Causes of Action regarding the existence, nature and scope of the releases, injunctions, and exculpation provided under the Plan, and issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to implement, enforce or restrain interference by any Person with respect to the consummation, implementation or enforcement of the Plan or the Confirmation Order, including the releases, injunctions, and exculpation provided under the Plan;

- Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or Distributions pursuant to the Plan are enjoined or stayed;

- Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

- Enforce, clarify or modify any orders previously entered by the Bankruptcy Court in the Chapter 11 Cases;

- Enter a final decree or decrees closing the Chapter 11 Cases;

- Determine matters concerning state, local and federal Taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code, including any Disputed Claims for Taxes;

- Recover all assets of the Debtors and their Estates, wherever located; and

- Hear any other matter over which with the Bankruptcy Court has jurisdiction.

- To the extent that it is legally impermissible for the Bankruptcy Court to have exclusive jurisdiction over any of the foregoing matters, the Bankruptcy Court will have non-exclusive jurisdiction over such matters to the extent legally permissible.

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter, including the matters set forth in Section IX of the Plan, the provisions of Section IX of the Plan shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

IX.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Continued Corporate Existence and Vesting of Assets

Except as otherwise provided in the Plan (including with respect to the Restructuring Transactions described in Section IV.F. of the Plan and the treatment of the Gold Fields Debtors described in Section IV.J.3. of the Plan): (1) on or after the Effective Date, Reorganized PEC shall exist as a separate corporate entity, with all corporate powers in accordance with state law and the certificates of incorporation and bylaws attached hereto collectively as Exhibit IV.H.1.a. of the Plan; (2) subject to the Restructuring Transactions, each Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate legal entity, with all of the powers of such a legal entity under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, conversion, dissolution or otherwise) under applicable state law; and (3) on the Effective Date, all property of the Estate of each Debtor, and any property acquired by a Debtor or Reorganized Debtor under the Plan, will vest, subject to the Restructuring Transactions, in the applicable Reorganized Debtor free and clear of all Claims, Liens, charges, Liabilities, other encumbrances, Interests and other interests. On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire and dispose of property and compromise or settle any claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, each Reorganized Debtor may pay the charges that it incurs on or after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including fees relating to the preparation of Professional fee applications) without application to, or the approval of, the Bankruptcy Court.

B. The Rights Offering and Private Placement

The Plan contemplates that the Debtors shall raise an aggregate of $1.5 billion of equity capital through the Rights Offering and the Private Placement. In connection with the consummation of the Plan, the Rights Offering and the Private Placement shall be consummated in accordance with the terms of the Plan, the PSA, the Rights Offering Procedures, the Rights Offering Backstop Commitment Agreement, the Rights Offering Documents, the Private Placement Agreement and the Private Placement Documents. All Reorganized PEC Common Stock shall be initially subject to dilution by the Preferred Equity, the Penny Warrants and the LTIP Shares.

1. The Rights Offering

On the Effective Date, the Debtors shall consummate the $750 million Rights Offering, through which each holder of an Allowed Claim in Classes 2A, 2B, 2C, 2D and 5B as of the Rights Offering Record Date, 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. 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. 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, 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 the Effective Date without the need for further corporate action and without any further action by the holders of Claims or Interests.

Each issuance and Distribution under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such Distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such Distribution or issuance, which terms and conditions shall bind each Person receiving such issuance. Any shares not necessary to satisfy obligations under the Plan shall have the status of authorized but not issued shares of Reorganized PEC.

2. Section 1145 Exemption for Reorganized PEC Common Stock, Rights Offering Equity Rights and Rights Offering Penny Warrants

To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-bankruptcy law, the issuance of (a) the Reorganized PEC Common Stock (including shares issued pursuant to the Rights Offering, but excluding shares issued pursuant to the Rights Offering Backstop Commitment Agreement and Private

Placement Agreement), (b) the Rights Offering Equity Rights in connection with the Rights Offering and (c) the Rights Offering Penny Warrants in connection with the Rights Offering, in each case, under the Plan in exchange for Claims will be exempt from registration under the Securities Act and any state's securities law registration requirements and all rules and regulations promulgated thereunder.

3. Federal Securities Law Exemptions for Private Placement, Backstop Amounts, Private Placement Commitment Premium and Rights Offering Backstop Commitment Premium

The issuance of (a) Preferred Equity in connection with the Private Placement, (b) the Rights Offering Equity Rights, Reorganized PEC Common Stock and Penny Warrants in connection with the Rights Offering Backstop Parties' backstop commitment obligations under the Rights Offering Backstop Commitment Agreement, (c) the Reorganized PEC Common Stock constituting the Premium Shares, and (d) the Penny Warrants to be issued to the Noteholder Co-Proponents, in each case, will be exempt from registration under Section 4(a)(2) of the Securities Act.

4. Listing and Reporting Requirements

Reorganized PEC shall use reasonable best efforts to cause the Reorganized PEC Common Stock and the Preferred Equity to be listed for trading on the NYSE as soon as practicable after the Effective Date. The Reorganized PEC Common Stock will be freely tradable in accordance with section 1145 of the Bankruptcy Code, except to the extent such Reorganized PEC Common Stock is issued in reliance on Section 4(a)(2) of the Securities Act, as set forth in Section IV.C.3. of the Plan. To the extent Reorganized PEC is not able to list the Reorganized PEC Common Stock and/or the Preferred Equity on the NYSE, it will cooperate with any registered broker-dealer who may seek to initiate price quotations for the Reorganized PEC Common Stock and/or the Preferred Equity on the OTC Bulletin Board or any other over-the-counter market or private market for traders of restricted securities.

As of the Effective Date, Reorganized PEC will be, and it is the intention that Reorganized PEC will remain, a reporting company under the Exchange Act. On the Effective Date, the Reorganized PEC Common Stock and the Preferred Equity will be registered under the Exchange Act as and to the extent required, including in connection with the terms of the Rights Offering Backstop Commitment Agreement and the Private Placement Agreement.

D. The Exit Facility; the Replacement Secured First Lien Term Loan; the Additional First Lien Debt and the New Second Lien Notes

The Debtors shall attempt, on a "best efforts" basis, to obtain commitments for the Exit Facility of not less than $1.5 billion in principal amount, the terms of which are no less favorable, when taken as a whole, to the Debtors than the terms of the Replacement Secured First Lien Term Loan, as determined by the Debtors in their reasonable business judgment and of sufficient size and on appropriate terms, including the ability to enter into up to $250 million of ABL Facilities (as defined in Exhibit I.A.195. 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. 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. 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] 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 certificates or articles of merger, consolidation, formation, dissolution or change in entity form pursuant to applicable state law; and (d) the taking of all other actions that the applicable entities determine to be necessary or appropriate, including (i) making filings or recordings that may be required by applicable state law in connection with such transactions and (ii) any appropriate positions on one or more tax returns (*e.g.*, worthlessness deductions). Any such transactions may be effected on or subsequent to the Confirmation Date without any further action by the stockholders, members, partners or directors of any of the Debtors or the Reorganized Debtors.

2. Obligations of Any Successor Entity in a Restructuring Transaction

The Restructuring Transactions may result in all or substantially all of the respective assets, properties, rights, liabilities, duties and obligations of certain of the Reorganized Debtors vesting in one or more surviving, resulting or acquiring entities. In situations in which a Reorganized Debtor is merged into, acquired by or combined with another entity, such surviving, resulting or acquiring entity will perform the obligations of the applicable Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor, except as provided in the Plan or in any contract, instrument or other agreement or document effecting a

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

disposition to such surviving, resulting or acquiring entity, which may provide that another Reorganized Debtor will perform such obligations.

G. Securitization Facility

On the Effective Date, Reorganized PEC, the other applicable Reorganized Debtors and P&L Receivables Company shall enter into the Amended Securitization Facility on terms substantially as set forth in the Receivables Purchase Facility Commitment Letter.

H. Corporate Governance and Directors and Officers

1. Constituent Documents of Reorganized PEC and the Other Reorganized Debtors

As of the Effective Date, the certificates of incorporation and the bylaws (or comparable constituent documents) of Reorganized PEC and the other Reorganized Debtors will be substantially in the forms set forth in Exhibits IV.H.1.a. and IV.H.1.b. to the Plan, respectively. The certificates of incorporation and bylaws (or comparable constituent documents) of Reorganized PEC and each other Reorganized Debtor, among other things, will (a) prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code and (b) with respect to Reorganized PEC, authorize the issuance of Reorganized PEC Common Stock, Rights Offering Equity Rights, Penny Warrants, LTIP Shares and Preferred Equity in amounts not less than the amounts necessary to permit the Distributions required or contemplated by the Plan, the Rights Offering and the Private Placement. After the Effective Date, Reorganized PEC and the other Reorganized Debtors may amend and restate their certificates of incorporation or bylaws (or comparable constituent documents) as permitted by applicable state law, subject to the terms and conditions of such constituent documents. On the Effective Date, or as soon thereafter as is practicable, Reorganized PEC and each other Reorganized Debtor shall file such certificates of incorporation (or comparable constituent documents) with the secretary of state or jurisdiction or similar office of the state or jurisdiction in which Reorganized PEC and such other Reorganized Debtors are incorporated or organized, to the extent required by and in accordance with the applicable corporate law of such state or jurisdiction.

2. Directors and Officers of Reorganized PEC and the Other Reorganized Debtors

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, from and after the Effective Date: (a) the initial officers of Reorganized PEC and the other Reorganized Debtors will consist of the individuals identified on Exhibit IV.H.2. to the Plan; and (b) the initial boards of directors of (i) Reorganized PEC shall consist of nine members, including the chief executive officer of Reorganized PEC, and eight Independent Directors, as set forth on Exhibit IV.H.2. to the Plan and (ii) each of the other Reorganized Debtors shall consist of the individuals identified, or will be designated pursuant to the procedures specified, on Exhibit IV.H.2. to the Plan. The Independent Directors of Reorganized PEC, as described in the preceding sentence, shall be selected as follows: (a) the Debtors shall designate one (1) such Independent Director; (b) Contrarian, PointState and Panning may, together, select one (1) such Independent Director; (c) Elliott and Discovery may each select one (1) such Independent Director; and (d) a selection committee comprising the chief executive officer of PEC, a representative of Elliott, a representative of Discovery and one nominee acting on behalf of Contrarian, PointState, and Panning, acting as a selection committee, shall agree on the retention of a search firm to identify and recommend the remaining four (4) Independent Directors, which recommendation shall be decided upon by such selection committee; provided, however, that any existing members of the board of directors of PEC who wish to stand for the board of directors of Reorganized PEC shall be interviewed and evaluated by such search firm. Each director appointed, as described in this paragraph, will serve from and after the Effective Date until his or her successor is duly elected or appointed and qualified or until his or her earlier death, resignation or removal in accordance with the terms of the certificate of incorporation and bylaws (or comparable constituent documents) of Reorganized PEC or the applicable other Reorganized Debtor and state law; provided, however, for the avoidance of doubt, this sentence shall not modify the process for the selection of the initial board of Reorganized PEC as set forth in first and second sentences of this paragraph.

I. Employment-Related Agreements; Retiree Benefits; Workers' Compensation Programs

1. Employment-Related Agreements

As of the Effective Date, each of the Reorganized Debtors will have authority to: (i) maintain, reinstate, amend or revise existing employment, retirement, welfare, incentive, severance, indemnification and other agreements with its active and retired directors, officers and employees, subject to the terms and conditions of any such agreement and applicable nonbankruptcy law; and (ii) enter into new employment, retirement, welfare, incentive, severance, indemnification and other agreements for active and retired employees. For the avoidance of doubt, the Reorganized Debtors shall continue, as of the Effective Date, the LTIP, and all other employee benefit plans and arrangements of the Reorganized Debtors unless otherwise expressly addressed herein, subject to the terms and conditions of any such plan or arrangements, including the Debtors' rights to amend, modify, supplement or terminate any such plan or arrangements in accordance with the terms thereof.

For the avoidance of doubt, (a) any issuance, transfer or acquisition of common stock, preferred stock, or other securities upon the Effective Date pursuant to the Plan or in connection with the Debtors' restructuring, including, but not limited to, any purchase of shares by any party or parties pursuant to the Private Placement or the Rights Offering, (b) entry into any agreement, including the Rights Offering Backstop Commitment Agreement and the Private Placement Agreement in connection with such proposed issuance, transfer, or acquisition and (c) revesting of assets in Reorganized PEC as of the Effective Date pursuant to the Plan, shall not, and shall not be deemed to, result in a "Change in Control" under the LTIP.

2. Retiree Benefits

Unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtors shall continue to pay all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(l)(B) or (g) of section 1114 of the Bankruptcy Code, for the duration of the period the applicable Debtor has obligated itself to provide such benefits, subject to the terms of each such benefit plan.

3. Assumption of Pension Plans

On the Effective Date, except as otherwise expressly set forth herein, Reorganized Peabody Investments Corp. and Reorganized Peabody Western Coal Company shall assume their respective Pension Plans, and the PBGC shall be deemed to have withdrawn with prejudice the contingent proofs of Claim filed by the PBGC against the Debtors with respect to such Pension Plans. On and after the Effective Date, Reorganized Peabody Investments Corp., Reorganized Peabody Western Coal Company and Reorganized Peabody Holding Company, LLC, as applicable, will continue to sponsor and administer the Pension Plans, satisfy the minimum funding standards pursuant to 26 U.S.C. § 412 and 29 U.S.C. § 1082 and administer the Pension Plans in accordance with their terms and the provisions of ERISA and the Internal Revenue Code.

On the Effective Date, the liabilities relating to the current employees as of the Effective Date under the Original SERA will be spun off and transferred to the Active SERA Plan. The liabilities of former employees as of the Effective Date will remain under the Original SERA, which will immediately become the Frozen SERA Plan. Notwithstanding the foregoing or any other provisions of the Plan, the Debtors and Reorganized Debtors, as applicable, will not assume, and will reject the SERP, the Gold Fields PEP and the Frozen SERA Plan. On the Effective Date, the applicable Debtors will assume the Active SERA Plan.

4. Continuation of Workers' Compensation Programs

From and after the Effective Date: (a) the Reorganized Debtors will continue to administer and pay all valid claims for benefits and liabilities arising under the Debtors' workers' compensation programs for which the Debtors or the Reorganized Debtors are responsible under applicable state workers' compensation law as of the Effective Date, regardless of when the applicable injuries occurred, in accordance with the Debtors' prepetition practices and procedures and governing state workers' compensation law; and (b) nothing in the Plan shall discharge, release or relieve the Debtors or the Reorganized Debtors from any current or future liability under

applicable state workers' compensation law in the jurisdictions where the Debtors or the Reorganized Debtors participate in workers' compensation programs. The Debtors and the Reorganized Debtors, as applicable, expressly reserve the right to challenge the validity of any claim for benefits or liabilities arising under any workers' compensation program.

J. Gold Fields Liquidating Trust

1. Gold Fields Liquidating Trust Generally

On or prior to the Effective Date, the Gold Fields Liquidating Trust shall be established pursuant to the Gold Fields Liquidating Trust Agreement for the purpose of liquidating the Gold Fields Liquidating Trust Assets, resolving all Disputed Claims against the Gold Fields Debtors, making all Distributions to holders of Allowed Claims against the Gold Fields Debtors in accordance with the terms of the Plan and otherwise implementing the Plan with respect to the Gold Fields Debtors and administering the Gold Fields Debtors' Estates. Subject to and to the extent set forth in the Plan, the Confirmation Order, the Gold Fields Liquidating Trust Agreement or other agreement (or any other order of the Bankruptcy Court entered pursuant to or in furtherance hereof), the Gold Fields Liquidating Trust (and the Gold Fields Liquidating Trustee), pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, shall be empowered to exercise such powers as may be vested in the Gold Fields Liquidating Trustee under the Gold Fields Liquidating Trust Agreement or the Plan, or as deemed by the Gold Fields Liquidating Trustee to be necessary and proper to implement, the provisions of the Plan and the Gold Fields Liquidating Trust Agreement including, but not limited to, taking such actions as are necessary or appropriate to close or dismiss any or all of the Chapter 11 Cases of the Gold Fields Debtors and dissolving the Gold Fields Liquidating Trust in accordance with the terms of the Gold Fields Liquidating Trust Agreement. Notwithstanding anything to the contrary in the Plan, the Gold Fields Liquidating Trust's primary purpose is liquidating the Gold Fields Liquidating Trust Assets (which include, without limitation, the Historic Gold Fields Policies), with no objective to continue or engage in the conduct of a trade or business except to the extent consistent with the trust's liquidating purpose and reasonably necessary to conserve and protect such Assets and provide for the orderly liquidation thereof. Gold Fields Liquidating Trust Expenses shall be paid, pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, from the Gold Fields Liquidating Trust as required, at the direction of the Gold Fields Liquidating Trustee, consistent with the Gold Fields Liquidating Trust Agreement.

2. Funding of and Transfer of Assets Into the Gold Fields Liquidating Trust

a. Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, other than rights under any Executory Contract or Unexpired Lease that is being rejected pursuant to the Plan, the Debtors will transfer the Gold Fields Liquidating Trust Assets, including any Cash held by or on behalf of the Gold Fields Debtors, to the Gold Fields Liquidating Trust and all such Assets shall vest in the Gold Fields Liquidating Trust, to be administered by the Gold Fields Liquidating Trustee pursuant to, and in furtherance of and in accordance with the Plan and the Gold Fields Liquidating Trust Agreement; provided, however, that for the avoidance of doubt, pursuant to the global settlement embodied in the Plan, all Intercompany Claims by and between the Gold Fields Debtors and any other Debtor and all other Claims and Causes of Action the Gold Fields Debtors have or may have against any other Debtor shall be deemed settled, released and discharged pursuant to the terms of the Plan, and such Claims, Intercompany Claims and Causes of Action shall not be transferred to the Gold Fields Liquidating Trust. Such transferred Assets will be transferred to and vest in the Gold Fields Liquidating Trust on the Effective Date, free and clear of all Liens, except as set forth in Section IV.L. of the Plan.

b. The act of transferring the Gold Fields Liquidating Trust Assets and rights to the Gold Fields Liquidating Trust, as authorized by this Plan, shall not be construed to destroy or limit any such Assets or rights or be construed as a waiver of any right, and such rights may be asserted by the Gold Fields Liquidating Trust as if the Asset or right was still held by the applicable Gold Fields Debtor.

3. Dissolution of Gold Fields Debtors

a. Notwithstanding anything in the Plan or the Confirmation Order to the contrary, as of the Effective Date and upon the transfer of the Gold Fields Liquidating Trust Assets to the Gold Fields Liquidating Trust under the Plan, the Gold Fields Debtors shall be deemed dissolved for all purposes without any necessity of filing any document, taking any further action or making any payment to any governmental authority in connection therewith.

b. All Claims against the Gold Fields Debtors are deemed satisfied, waived and released as to the Gold Fields Debtors in exchange for the treatment of such Claims under the Plan (including the Distribution of Gold Fields Liquidating Trust Units and other distributions to be made pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement), and holders of Allowed Claims against any Gold Fields Debtor will have recourse solely to the assets of the Gold Fields Liquidating Trust for the payment of their Allowed Claims in accordance with the terms of the Plan and the Gold Fields Liquidating Trust Agreement.

4. Gold Fields Liquidating Trustee

a. The initial Gold Fields Liquidating Trustee shall be selected by the Debtors in consultation with the Creditors' Committee.

b. The Gold Fields Liquidating Trustee shall be the successor to and representative of the Estate of each of the Gold Fields Debtors appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code. The powers, rights and responsibilities of the Gold Fields Liquidating Trustee shall be specified in the Gold Fields Liquidating Trust Agreement.

5. Indemnification

The Gold Fields Liquidating Trust Agreement may include reasonable and customary indemnification provisions for the benefit of the Gold Fields Liquidating Trustee and/or other parties. Any such indemnification shall be the sole responsibility of the Gold Fields Liquidating Trust and payable solely from the Gold Fields Liquidating Trust Assets with no recourse to any Reorganized Debtor.

6. Gold Fields Liquidating Trust Units

a. On the Effective Date, Gold Fields Liquidating Trust Units shall be issued to the holders of Allowed Claims in Class 5C, pursuant to, in furtherance of and in accordance with the Plan, the Confirmation Order and the Gold Fields Liquidating Trust Agreement. Gold Fields Liquidating Trust Units shall entitle the holder thereof to receive certain payments from the Gold Fields Liquidating Trust pursuant to and in furtherance of the Plan, the Confirmation Order and the Gold Fields Liquidating Trust Agreement.

b. No fractional amount of Gold Fields Liquidating Trust Units shall be distributed under the Plan. To the extent any holder of a Claim in Class 5C would be entitled to receive a fractional amount of Gold Fields Liquidating Trust Units, the number of Gold Fields Liquidating Trust Units shall be rounded downward to be distributed, pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, to that holder to the nearest whole integer. No consideration shall be provided in lieu of such fractional amounts of Gold Fields Liquidating Trust Units that are rounded down.

7. Tax Treatment

The Gold Fields Liquidating Trust is intended to be treated for U.S. federal income tax purposes in part as a liquidating trust described in Treasury Regulation § 301.7701-4(d) and in part as one or more Disputed Claims reserves treated either as discrete trusts taxed pursuant to Section 641 et seq. of the Internal Revenue Code or as disputed ownership funds described in Treasury Regulation § 1.468B-9. For federal income tax purposes, the transfer of the Gold Fields Liquidating Trust Assets by the applicable Debtors to the Gold Fields Liquidating Trust will be treated in part as the transfer of assets by the Debtors to the holders of Allowed Claims in Classes 5C, subject to any liabilities of the Debtors or the Gold Fields Liquidating Trust payable from the proceeds of such assets, followed by the transfer of such assets (subject to such liabilities) by such holders to the Gold Fields Liquidating Trust in exchange for the Gold Fields Liquidating Trust Units, and in part as the transfer of assets by the Debtors to one more Disputed Claims reserves. The holders of Allowed Claims in Class 5C will be treated for federal income tax purposes as the grantors and deemed owners of their respective shares of the the Gold Fields Liquidating Trust Assets (subject to such liabilities), depending on their rights to Distributions under the Plan. As grantors and deemed owners of such assets, the holders of Allowed Claims in Class 5C will be required to include in income their respective shares of the income, deductions, gains, losses and credits attributable to such assets. The holders of Allowed Claims in Class 5C will be required to use the values assigned to such assets by the Gold Fields Liquidating Trustee for all federal tax purposes, including the recognition of income, deduction, gain or loss with respect to their Allowed Claims and any gain or loss recognized on the subsequent disposition of an asset in which the holder holds an interest. The Gold Fields Liquidating Trust Agreement will contain certain provisions to comply with IRS guidance for trusts treated as liquidating trusts. Among other things, the agreement will (a) require that the Gold Fields Liquidating Trust terminate no later than five years after the Effective Date, subject to extension with Bankruptcy Court approval, (b) limit the Gold Fields Liquidating Trustee's investment powers, (c) limit the business operations carried on by the Gold Fields Liquidating Trust to activities reasonably necessary to and consistent with the trust's liquidating purpose, (d) prohibit the Gold Fields Liquidating Trust from receiving or retaining Cash or Cash equivalents in excess of an amount reasonably necessary to meet Claims and contingent liabilities or to maintain the value of the trust assets during liquidation and (e) distribute at least annually to the holders of Allowed Claims in Class 5C the Gold Fields Liquidating Trust's net income and the net proceeds from the sale of Gold Fields Liquidating Trust Assets in excess of an amount reasonably necessary to meet Claims and contingent liabilities (including Disputed Claims) and to maintain the value of the Gold Fields Liquidating Trust Assets. Gold Fields Liquidating Trust Assets reserved for holders of Disputed Claims will be treated as one or more Disputed Claims reserves for tax purposes, which will be subject to an entity-level Tax on some or all of their net income or gain. No holder of a Claim will be treated as the grantor or deemed owner of an asset reserved for Disputed Claims until such holder receives or is allocated an interest in such asset. The Gold Fields Liquidating Trustee will file all Tax returns on a basis consistent with the treatment of the Gold Fields Liquidating Trust in part as a liquidating trust (and grantor trust pursuant to Treasury Regulation § 1.671-1(a)) and in part as one or more Disputed Claims reserves taxed as discrete trusts or disputed ownership funds, and will pay all Taxes owed from Gold Fields Liquidating Trust Assets.

8. Settlement of Claims

Except as otherwise provided in the Plan or the Gold Fields Liquidating Trust Agreement, on and after the Effective Date, the Gold Fields Liquidating Trustee may, pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, compromise or settle any Claims against the Gold Fields Debtors without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules and pay the charges that it incurs on or after the Effective Date for Gold Fields Liquidating Trust Expenses, professionals' fees, disbursements, expenses or related support services (including fees relating to the preparation of Professional fee applications) without application to the Bankruptcy Court.

9. Sale of Assets by Gold Fields Liquidating Trust

In connection with the sale, liquidation, transfer, distribution or disposition of the Gold Fields Liquidating Trust Assets by the Gold Fields Liquidating Trustee, pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, the Gold Fields Liquidating Trustee shall deposit any proceeds thereof in the applicable account maintained by the Gold Fields Liquidating Trust. The Gold Fields Liquidating Trustee may, pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, conduct any sales or liquidations of non-Cash assets from the Gold Fields Liquidating Trust on any terms it deems reasonable, without further order of the Bankruptcy Court.

K. Corporate Action

The Restructuring Transactions and the following corporate actions and transactions will be deemed to occur and be effective as of the date specified in the documents effectuating the applicable Restructuring Transaction (or other transactions) or the Effective Date if no such other date is specified in such other documents, and will be authorized and approved in all respects and for all purposes without any requirement of further action by the Debtors, the Reorganized Debtors or any other Person or entity: (a) the adoption of new or amended and restated certificates of incorporation and bylaws (or comparable constituent documents) for Reorganized PEC and the other Reorganized Debtors; (b) the initial selection of directors and officers for each Reorganized Debtor; (c) the entry into, and performance under, the Exit Facility and receipt of the proceeds thereof; (d) the entry into and performance under the Rights Offering Backstop Commitment Agreement, the Rights Offering Documents, the Private Placement Agreement and the Private Placement Documents; (e) if applicable, the entry into, and performance under, the Replacement Secured First Lien Term Loan; (f) if applicable, the issuance of the Additional First Lien Debt; (g) if applicable, the issuance of the New Second Lien Notes; (h) the issuance and Distribution of Reorganized PEC Common Stock and LTIP Shares; (i) the issuance of the Rights Offering Equity Rights, Penny Warrants and Preferred Equity pursuant to the Rights Offering and the Private Placement; (j) the Distribution of Cash and interests pursuant to the Plan; (k) the entry into, and performance under, the Amended Securitization Facility; (l) the adoption, execution, delivery and implementation of all contracts, leases, instruments, releases and other agreements or documents related to any of the foregoing; (m) the adoption, execution and implementation of employment, retirement and indemnification agreements, incentive compensation programs, retirement income plans, welfare benefit plans, severance plans and other employee plans and related agreements; and (n) the other matters provided for under the Plan involving the corporate structure of any Debtor and any Reorganized Debtor or corporate action to be taken by or required of a Debtor or a Reorganized Debtor in connection with the consummation of the Plan and the Debtors' emergence from bankruptcy.

L. Special Provisions Regarding Insured Claims

1. Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims

Distributions, if any, under the Plan to each holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified, but solely to the extent that such Allowed Insured Claim is not satisfied from proceeds payable to the holder thereof under any pertinent Insurance Contracts and applicable law. Nothing in Section IV.L. of the Plan will constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or Liabilities, whether arising before, on or after the Effective Date, that any Person may hold against any other Person, including the Insurers.

2. Assumption and Continuation of Insurance Contracts

Notwithstanding anything to the contrary in the Plan and regardless of whether any Insurance Contract is listed on Exhibit III.A.1. or Exhibit III.B.1. to the Plan: (a) from and after the Effective Date, all Insurance Contracts will be assumed by the applicable Reorganized Debtor pursuant to section 365 of the Bankruptcy Code or continued in accordance with their terms, such that each of the parties' contractual, legal and equitable rights under each Insurance Contract shall remain unaltered; (b) the parties to each Insurance Contract will continue to be bound by such Insurance Contract as if the Chapter 11 Cases had not occurred; (c) nothing in the Plan shall affect, impair or prejudice the rights and defenses of the Insurers or the Reorganized Debtors under the Insurance Contracts in any manner, and such Insurers and Reorganized Debtors shall retain all rights and defenses under the Insurance Contracts, and the Insurance Contracts shall apply to, and be enforceable by and against, the Reorganized Debtors and the applicable Insurer(s) as if the Chapter 11 Cases had not occurred; and (d) nothing in the Plan shall in any way operate to, or have the effect of, impairing any party's legal, equitable or contractual rights, obligations and/or claims under any Insurance Contract, if any, in any respect, and any such rights and obligations shall be determined under the Insurance Contracts, any agreement of the parties and applicable law.

Notwithstanding anything to the contrary in the Disclosure Statement, Plan, Exit Facility, any documents related to the Exit Facility, the Confirmation Order, any exhibits, supplements, appendices or any other document related to the foregoing or any order (or notice or provision) setting a Bar Date, or any other pleading, notice or Bankruptcy Court order (including, without limitation, any other provision that purports to be preemptory or supervening, grants an injunction or release, or confers Bankruptcy Court jurisdiction): (a) on and after the Effective Date (i) the ACE Assumption Order, shall be in full force and effect and binding on and enforceable against the Reorganized Debtors in all respects, and (ii) the Reorganized Debtors shall be substituted for the Debtors in all respects under the Insurance Program (as that term is defined in the ACE Assumption Order); (b) the Insurance Program shall not be assigned to any other entity without the express written consent of ACE (as that term is defined in the ACE Assumption Order); and (c) nothing alters, modifies or otherwise amends the terms and conditions of the Insurance Program. For the avoidance of doubt: (a) the term "Insurance Program" as used herein shall not include the Historic Gold Fields Policies; (b) any injunction set forth in the Plan or Confirmation Order shall not enjoin, limit, affect or otherwise apply to the authorizations provided under or acts permitted by paragraphs 4, 11, and 14 of the ACE Assumption Order; and (c) nothing in the second paragraph of Section IV.L.2. to the Plan shall be deemed to apply to, affect, or relate to (i) any rights or claims of ACE, as Surety, under or in respect of any Surety Bonds or any Indemnity Agreements, letters of credit (or the proceeds thereof), or other collateral or security relating thereto or (ii) the treatment of said rights or claims under the Plan.

M. Cancellation and Surrender of Instruments, Securities and Other Documentation

1. First Lien Credit Documents

Except as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan or as otherwise provided for herein, on the Effective Date and concurrently with the applicable Distributions made pursuant to Article VI of the Plan, the First Lien Credit Agreement and the First Lien Credit Documents will be deemed canceled and of no further force and effect against the Debtors, without any further action on the part of any Debtor, provided that any and all indemnification provisions in the First Lien Credit Documents shall survive the occurrence of the Confirmation Date and the Effective Date solely to the extent such indemnification provisions survive the termination of the First Lien Credit Agreement under the terms thereof and the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations and Swap Obligations (each as defined in the First Lien Credit Agreement). The holders of the First Lien Lender Claims will have no rights against the Debtors, the Reorganized Debtors, their Estates or their Assets or the Gold Fields Liquidating Trust arising from or relating to such documentation or the cancellation thereof, except the rights provided pursuant to the Plan. Notwithstanding the foregoing and anything contained in the Plan, the applicable provisions of the First Lien Credit Agreement and First Lien Credit Documents will continue in effect solely for the purposes of (a) allowing the First Lien Agent to make Distributions on account of First Lien Lender Claims as provided in Article VI of the Plan and (b) permitting the First Lien Agent to maintain or assert any rights it may have against Distributions to holders of First Lien Lender Claims pursuant to the terms the First Lien Credit Agreement or First Lien Credit Documents and (c) the reimbursement of reasonable and documented fees and expenses of the First Lien Agent (including reasonable and documented fees and expenses of its professionals)

incurred solely in connection with the First lien Credit Agreement after the Effective Date. The Reorganized Debtors shall not have any obligations to the First Lien Agent for any fees, costs or expenses, except as expressly provided in the Plan.

Notwithstanding anything to the contrary contained in the Plan, on and after the Effective Date all duties and responsibilities of the First Lien Agent arising under or related to the First Lien Credit Agreement shall be discharged except to the extent required in order to effectuate the Plan. For the avoidance of doubt and notwithstanding the foregoing, nothing contained in the Plan or the Confirmation Order shall in any way limit or affect the standing of the First Lien Agent to appear and be heard in the Chapter 11 Cases on and after the Effective Date.

2. Notes and 2066 Unsecured Subordinated Debentures

Except as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan or as otherwise provided for in the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to Article VI of the Plan, the Second Lien Notes Indenture, the Unsecured Senior Notes Indentures and the Notes will be deemed canceled and of no further force and effect against the Debtors, without any further action on the part of any Debtor. The holders of the Notes will have no rights against the Debtors, the Reorganized Debtors, their Estates or their Assets or the Gold Fields Liquidating Trust arising from or relating to such instruments and other documentation or the cancellation thereof, except the rights provided pursuant to the Plan; provided, however, that no Distribution under the Plan will be made to or on behalf of any holder of an Allowed Noteholder Claim until such Notes are surrendered to and received by the applicable Third Party Disbursing Agent to the extent required in Section VI.J. of the Plan. Notwithstanding the foregoing and anything contained in the Plan, the applicable provisions of the applicable Indentures will continue in effect solely for the purposes of (a) allowing the applicable Indenture Trustees or other Disbursing Agents to make Distributions on account of Noteholder Claims as provided in Section VI.C. of the Plan; and (b) permitting the applicable Indenture Trustees to maintain or assert any rights or charging liens they may have on Distributions to holders of Notes pursuant to the terms of the applicable Indenture. The Reorganized Debtors shall not have any obligations to any Indenture Trustee for any fees, costs or expenses, except as expressly provided in the Plan.

Except as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan or as otherwise provided for herein, on the Effective Date, the 2066 Subordinated Indenture and the 2066 Unsecured Subordinated Debentures will be deemed canceled and of no further force and effect against the Debtors, without any further action on the part of any Debtor. Neither the holders of the 2066 Unsecured Subordinated Debentures nor the 2066 Subordinated Indenture Trustee will have any rights against the Debtors, their Estates or their Assets arising from or relating to such instruments and other documentation or the cancellation thereof, except the rights provided pursuant to the Plan. Solely to the extent Class 8A votes in favor of the Plan and only if the 2066 Subordinated Indenture Trustee does not object to the Plan, and notwithstanding the foregoing and anything contained in the Plan, the applicable provisions of the 2066 Unsecured Subordinated Debentures will continue in effect solely for the purposes of (a) allowing the 2066 Subordinated Indenture Trustee to distribute the Unsecured Subordinated Debenture Penny Warrants to holders of Unsecured Subordinated Debenture Claims; and (b) permitting the 2066 Subordinated Indenture Trustee to maintain or assert any rights or charging liens it may have on pursuant to the terms of the 2066 Unsecured Subordinated Debentures.

3. PEC Interests

The PEC Interests shall be deemed canceled and of no further force and effect on the Effective Date. The holders of or parties to such canceled securities and other documentation will have no rights arising from or relating to such securities and other documentation or the cancellation thereof.

N. Release of Liens

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan (including those relating to the Exit Facility, the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and the New Second Lien Notes (each as may be applicable)), or where a Claim is Reinstated, on the Effective Date and consistent with the treatment

provided for Claims and Interests in Article II of the Plan, all Liens against, and security interests in, property of any Estate will be deemed fully released and discharged, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, will revert to the applicable Reorganized Debtor and its successors and assigns or the Gold Fields Liquidating Trust (as applicable). As of the Effective Date: (1) the holders of such Liens will be authorized and directed to release any collateral or other property of the Estates (including any cash collateral) held by such holder and to take such actions as may be requested by the Reorganized Debtors, or the Gold Fields Liquating Trustee, to evidence the release of such Lien, including the execution, delivery, filing or recording of such releases, intellectual property assignments, mortgage or deed of trust releases, UCC-3 termination statements and other similar discharge or release documents as may be requested by the Reorganized Debtors or the Gold Fields Liquidating Trustee; and (2) the Reorganized Debtors and the Gold Fields Liquidating Trustee (and any of their respective agents, attorneys or designees) shall be authorized to execute and file on behalf of creditors Form UCC-3 termination statements, intellectual property assignments, mortgage or deed of trust releases or such other forms or release documents as may be necessary or appropriate to implement the provisions of Section IV.N. of the Plan.

O. Effectuating Documents; Further Transactions

On and after the Effective Date and without the need for any approvals, authorizations or consents except those expressly required pursuant to the Plan: (1) the president, chief executive officer, chief financial officer, chief legal officer, any senior vice president, vice president or treasurer of each Debtor or Reorganized Debtor, as applicable, and any designee of the same, shall be authorized to execute, deliver, file or record such contracts, securities, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the provisions of the Plan, the Restructuring Transactions, the Rights Offering and the Rights Offering Documents, the Rights Offering Backstop Commitment Agreement, the Private Placement, the Private Placement Agreement and the Private Placement Documents, the Exit Facility, the Gold Fields Liquidating Trust Agreement, the Replacement Secured First Lien Term Loan (if applicable), the issuance of the Additional First Lien Debt (if applicable), the issuance of the New Second Lien Notes (if applicable), the Amended Securitization Facility, the LTIP, the Reorganized PEC Common Stock, Preferred Equity, Penny Warrants and LTIP Shares issued pursuant to the Plan, in each case, in the name of and on behalf of the Reorganized Debtors and (2) the secretary or any assistant secretary of each Debtor or Reorganized Debtor will be authorized to certify or attest to any of the foregoing actions.

P. Exemption from Certain Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers pursuant to the Plan, including, but not limited to, the following, will not be subject to any stamp, transfer, mortgage recording, sales or use or other similar Tax or governmental assessment: (1) the issuance, transfer, exchange, Distribution or sale of any of the Reorganized PEC Common Stock, the Rights Offering Equity Rights, the Penny Warrants and the Preferred Equity (including pursuant to the Rights Offering and the Private Placement), the LTIP Shares, the Gold Fields Liquidating Trust Units and any other securities of the Debtors, the Reorganized Debtors or the Gold Fields Liquidating Trust, or any of the foregoing; (2) the creation of any mortgage, deed of trust, Lien or other security interest; (3) the making or assignment of any lease or sublease; (4) the execution and delivery of the Exit Facility and the Replacement Secured First Lien Term Loan (if applicable); (5) the execution and delivery of the Rights Offering Documents (including the Rights Offering Backstop Commitment Agreement) and the Private Placement Documents (including the Private Placement Agreement); (6) the issuance of the Additional First Lien Debt (if applicable); (7) the issuance of the New Second Lien Notes (if applicable); (8) the execution and delivery of the Amended Securitization Facility; (9) any Restructuring Transaction; (10) the execution and implementation of the Gold Fields Liquidating Trust Agreement, including the creation of the Gold Fields Liquidating Trust, any transfers of the Gold Fields Liquidating Trust Assets or other assets (if any) to, by or from the Gold Fields Liquidating Trust, pursuant to and in furtherance of the Plan and the Gold Fields Liquidating Trust Agreement, and the sale, liquidation, transfer, foreclosure, abandonment or other disposition of the Gold Fields Liquidating Trust Assets; (11) any sale of Assets by the Debtors under section 363 of the Bankruptcy Code in connection with the Plan; (12) the creation of and transfers in connection with the Rights offering Disputed Claims Reserve; and (13) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including the following: any merger or securities purchase agreements, agreements of consolidation, restructuring, reorganization, transfer, disposition, conversion, liquidation or dissolution, deeds, bills of sale or assignments, applications, certificates or statements

executed or filed in connection with the Plan, including any Restructuring Transaction occurring under the Plan. The Confirmation Order will direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such Tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such Tax or governmental assessment.

Q. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith and distributed thereunder, to the extent applicable, each of the Debtors, the Reorganized Debtors, the Disbursing Agent, or any other party issuing any instruments or making any Distributions under the Plan will comply with all applicable Tax withholding and reporting requirements imposed on it by any Governmental Unit, and all Distributions pursuant to the Plan and all related agreements will be subject to applicable withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, each of the Debtors, Reorganized Debtors, and the Disbursing Agent, as applicable, will be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including, without limitation, applying a portion of any Cash Distribution to be made under the Plan to pay applicable withholding Taxes or establishing any other mechanisms the Disbursing Agent believes are reasonable and appropriate, including requiring a holder of an Allowed Claim to pay the withholding Tax amount to the Disbursing Agent in Cash as a condition of receiving any non-Cash Distributions under the Plan. Any party issuing any instrument or making any Distribution pursuant to the Plan has the right, but not the obligation, to not make a Distribution until such holder has made arrangements satisfactory to the issuing or disbursing party for the payment of any Tax obligations. In the case of any non-Cash Distributions subject to withholding, the distributing party may sell any property so withheld to generate Cash necessary to pay over the withholding Tax. Any amounts withheld pursuant to this Section, including the immediately preceding sentence will be deemed to have been distributed and received by the applicable recipient for all purposes of the Plan.

Notwithstanding any other provision of the Plan, each holder of an Allowed Claim receiving a Distribution pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on it by any Governmental Unit on account of the Distribution, including income, withholding and other Tax obligations.

Any party entitled to receive any property as an issuance or Distribution under the Plan will be required, if so requested, to deliver to the Disbursing Agent (or such other entity designated by the Debtors, which entity will subsequently deliver to the Disbursing Agent) a properly completed appropriate IRS Form W-9 or (if the party entitled to receive property is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code) IRS Form W-8, and any other tax forms, documentation or certifications that may be requested by the Disbursing Agent to establish the amount of withholding or exemption therefrom. Unless a properly completed IRS Form W-9 or IRS Form W-8, as appropriate, and such other requested tax forms, documentation or certifications are delivered to the Disbursing Agent (or such other entity), the Disbursing Agent, in its sole discretion, may (a) make a Distribution net of any applicable withholding, including backup withholding or (b) reserve such Distribution.

If the Disbursing Agent reserves a Distribution, and the holder fails either establish an exemption from withholding to the satisfaction of the issuing or disbursing party or make arrangements satisfactory to the issuing or disbursing party for the payment of any tax obligations within 180 days after the Effective Date, such 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.

The Debtors reserve, and the Reorganized Debtors will have, the right to allocate and distribute all Distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support and other spousal awards, Liens and similar encumbrances.

R. Setoffs

Except with respect to claims of a Debtor or a Reorganized Debtor released pursuant to the Plan or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan,

each Reorganized Debtor or, as instructed by a Reorganized Debtor, a Third Party Disbursing Agent may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Claim (before any Distribution is made on account of the Claim) the claims, rights and Causes of Action of any nature that the applicable Debtor or Reorganized Debtor may hold against the holder of such Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the applicable Debtor or Reorganized Debtor of any claims, rights and Causes of Action that the Debtor or Reorganized Debtor may possess against the Claim holder.

S. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

Any Claim will be deemed satisfied in full or in part (as applicable) without a Claims objection having to be Filed by the Debtors or Reorganized Debtors (as applicable) and without any further order or approval of the Bankruptcy Court, to the extent that the holder of such Claim (a) receives payment in full or in part (as applicable) on account of such Claim from an entity that is not a Debtor or Reorganized Debtor (as applicable) and (b) does not File an objection to such Claim being deemed satisfied within 21 days from service of notice thereof. To the extent a holder of a Claim receives, on account of such Claim, both a Distribution under the Plan and a payment from a party that is not a Debtor or Reorganized Debtor (as applicable) on account of such Claim, the Debtors or Reorganized Debtors (as applicable) will serve a notice of such duplicative payment and such holder must, within 21 days of receipt thereof, either (a) repay or return the Distribution to the Debtors or Reorganized Debtors (as applicable) to the extent the holder's total recovery on account of such Claim from the 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 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 underlying the Projections. The Debtors believe that the New Company will have sufficient liquidity to fund obligations as they arise, thereby maintaining value. Accordingly, the Debtors believe the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. The Debtors prepared the Financial Projections in good faith, based upon estimates and assumptions made by the Debtors' management.

The Financial Projections assume that the Plan will be consummated in accordance with its terms and that all transactions contemplated by the Plan will be consummated by the assumed Effective Date. Any significant delay in the assumed Effective Date of the Plan may have a material negative impact on the operations and financial performance of the Debtors, including, but not limited to, an increased risk of inability to meet sales forecasts and the incurrence of higher reorganization expenses. Additionally, the estimates and assumptions in the Financial Projections, although considered reasonable by management, may not be realized, and are inherently subject to uncertainties and contingencies. They also are based on factors such as industry performance, general business, economic, competitive, regulatory, industry and financial conditions, including assumptions regarding foreign currency exchange rates, all of which are difficult to predict and generally beyond the Debtors' control. The Financial Projections include macroeconomic assumptions developed for key variables. Because future events and circumstances may well differ from those assumed and unanticipated events or circumstances may occur, the Debtors expect that the actual and projected results will differ. Accordingly, the actual results may be materially different from those reflected in the Financial Projections.

No representations can be made as to the accuracy of the Financial Projections or the New Company's ability to achieve the projected results. Therefore, the Financial Projections may not be relied upon as a guaranty or other assurance of the actual results that will occur. The inclusion of the Financial Projections should not be regarded as an indication that the Debtors considered or consider the Financial Projections to reliably predict future performance. The Financial Projections are subjective in many respects and, thus, are susceptible to interpretations and periodic revisions based on actual experience and recent developments. The Debtors do not intend to update or otherwise revise the Financial Projections to reflect the occurrence of future events, even in the event that assumptions underlying the Financial Projections do not come to fruition. The Financial Projections should be read in conjunction with the assumptions and qualifications set forth therein.

The Projections were not prepared with a view toward compliance with published guidelines of the SEC or guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. These Projections do not reflect the complete or full impacts of "fresh start

accounting," which could result in a material change to any of the projected values. Emergence is assumed to occur on April 3, 2017.

The Debtors' independent accountants have neither examined nor compiled the accompanying financial projections and accordingly do not express an opinion or any other form of assurance with respect to the Projections, do not assume responsibility for the Projections, and disclaim any association with the Projections.

Although Management has prepared the Projections in good faith and believes the assumptions to be reasonable, it is important to note that management cannot provide assurance that such assumptions will be realized. As described in detail in the Disclosure Statement, a variety of risk factors could affect future financial results and must be considered. Accordingly, the Projections should be reviewed in conjunction with a review of the risk factors set forth in the Disclosure Statement and the assumptions described therein, including all relevant qualifications and footnotes.

THE FINANCIAL PROJECTIONS SET FORTH IN EXHIBIT C ARE BASED UPON A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR THE NEW COMPANY. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT PROJECTIONS WOULD BE REALIZED IF THE PLAN WERE TO BECOME EFFECTIVE, AND ACTUAL RESULTS COULD VARY. THE DEBTORS, THE REORGANIZED DEBTORS AND ANY AFFILIATED ENTITY DO NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS OR TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE OF THESE PROJECTIONS OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS NOR TO INCLUDE SUCH 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 performed and factors considered by Lazard. The preparation of a valuation analysis is a complex analytical process involving subjective determinations about which methodologies of financial analysis are most appropriate and relevant and the application of those methodologies to particular facts and circumstances in a manner that is not readily susceptible to summary description.

a. **Discounted Cash Flow Analysis**

The discounted cash flow ("DCF") analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. Under this methodology, projected future cash flows are discounted by the business' weighted average cost of capital (the "Discount Rate"). The Discount Rate reflects the estimated blended rate of return that would be required by debt and equity investors to invest in the business based on its capital structure. The Enterprise Value of the firm is determined by calculating the present value of the Reorganized Debtors' unlevered after-tax free cash flows based on the Projections plus an estimate for the value of the firm beyond the projection period known as the terminal value. The terminal value is derived by making certain adjustments to the forecasted cash flows to estimate "steady-state" cash flows beyond the forecast period and then applying a perpetuity growth rate. The estimated value of certain non-operating assets (i.e., non-cash flow generating assets like unassigned reserves) is also added to the present value of unlevered after-tax free cash flows and the terminal value to derive Enterprise Value.

To estimate the Discount Rate, Lazard used the cost of equity and the after-tax cost of debt for the Reorganized Debtors, assuming a targeted long-term debt-to-total capitalization ratio based on the same ratios of healthy industry peers. Lazard calculated the cost of equity based on the "Capital Asset Pricing Model," which assumes that the required equity return is a function of the risk-free cost of capital and the correlation of a publicly traded stock's performance to the return on the broader market. To estimate the cost of debt, Lazard estimated what would be the Reorganized Debtors' blended cost of debt based on the current assumed pricing on the Reorganized Debtors' proposed exit financing, among other factors. In determining the perpetuity growth rate for the purpose of deriving the terminal value, Lazard relied upon various analyses including a review of industry analyst reports for peer coal companies and a review of the expected life of the Debtors' operating reserves, among other analyses. Although formulaic methods are used to derive the key estimates for the DCF methodology, their application and interpretation still involve complex considerations and judgments concerning potential variances in the projected financial and operating characteristics of the Reorganized Debtors, which in turn affect its cost of capital and terminal growth rate.

In applying the above methodology, Lazard utilized management's detailed Projections for the period beginning April 1, 2017, and ending December 31, 2021, to derive unlevered after-tax free cash flows. See Section I.A.5.c., infra. Free cash flow includes sources and uses of cash not reflected in the income statement, such as capital expenditures, cash taxes and changes in working capital, among others. These cash flows, along with the terminal value, are discounted back to the assumed Effective Date using a range of Discount Rates calculated in a manner described above to arrive at a range of Enterprise Values.

b. **Comparable Companies Analysis:**

The comparable companies analysis estimates the value of a company based on a relative comparison with other publicly traded companies with similar operating and financial characteristics. Under this methodology, the enterprise value for each selected public company was determined by examining the trading prices for the equity securities of such company in the public markets and adding the aggregate amount of outstanding net debt for such company (at market value) and minority interest. Those enterprise values are typically expressed as multiples of various measures of operating statistics, most commonly earnings before interest, taxes, depreciation and amortization ("EBITDA"). Lazard also examined "adjusted" enterprise values for each selected public company by capitalizing the tax-effected amount of underfunded pension, asset retirement, and other post-retirement employee benefit obligations and then expressing those "adjusted" enterprise values as multiples of EBITDAPOR (EBITDA before Pension, Other post-retirement employee benefits, and asset Retirement obligations). In addition, each of the selected public company's resource mix, mine life, operational performance, operating margins, profitability, leverage, non-debt liabilities and business trends, among other factors, were examined. Based on these analyses, financial multiples and ratios are calculated to apply to the Reorganized Debtors' actual and projected operational performance. In performing its comparable company analysis, Lazard focused primarily on EBITDA and EBITDAPOR multiples of the selected comparable companies to value the Reorganized Debtors. A key factor to this approach is the selection of companies with relatively similar business and operational characteristics to the Reorganized Debtors, their Domestic Operations and/or International Operations. Common criteria for selecting comparable companies for the analysis include, among other relevant characteristics, similar lines of businesses, business risks, growth prospects, maturity of businesses, location, market presence and size and scale of operations. The selection of appropriate comparable companies is often difficult, a matter of judgment, and subject to limitations due to sample size and the availability of meaningful market-based information.

Lazard calculated market multiples for the comparable companies peer group based on 2016-2018 estimated EBITDA and EBITDAPOR by dividing enterprise value or "adjusted" enterprise value, as appropriate, of each comparable company as of December 31, 2016 by the consensus projected 2016-2018 EBITDA and EBITDAPOR forecasts as estimated by equity research analysts. In determining the applicable EBITDA and EBITDAPOR multiple ranges, Lazard considered a variety of factors, including both qualitative attributes and quantitative measures such as historical and projected revenue, EBITDA/EBITDAPOR and capital expenditure amounts, production/reserve profiles, mine life EBITDA/EBITDAPOR margins, financial distress impacting trading values, size, growth and similarity in business lines. Lazard then applied a selected range of multiples to the Reorganized Debtors' 2016 actual EBITDA and EBITDAPOR results and 2017 and 2018 forecasted EBITDA and EBITDAPOR, respectively, to determine a range of Enterprise Values or "adjusted" enterprise values, as appropriate.

c. **Precedent Transactions Analysis:**

The precedent transactions analysis estimates the value of a company by examining public merger and acquisition transactions. The valuations paid in such acquisitions or implied in such mergers are analyzed as ratios of various financial results. These transaction multiples are calculated based on the purchase price (including any debt assumed) paid to acquire companies that are comparable to the Reorganized Debtors, the International Operations, and/or the Domestic Operations. Since precedent transaction analysis reflects aspects of value other than the intrinsic value of a company, there are limitations as to its applicability in determining the Enterprise Value. Nonetheless, Lazard reviewed recent M&A transactions involving coal companies in the United States and Australia. Many of the transactions analyzed occurred in different fundamental, credit and other market conditions from those currently prevailing in the marketplace and, therefore, may not be the best indication of value in the current market. As a result, Lazard believes there are few, if any, precedent transactions that are relevant to valuing the Reorganized Debtors, the Domestic Operations and/or the International Operations.

THE VALUATION ANALYSIS IN THIS SECTION XI REFLECTS WORK PERFORMED BY LAZARD ON THE BASIS OF INFORMATION IN RESPECT OF THE BUSINESS AND ASSETS OF THE DEBTORS AVAILABLE TO LAZARD AS OF JANUARY 23, 2017 AND MARKET DATA AS OF DECEMBER 31, 2016. IT SHOULD BE UNDERSTOOD THAT, ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT LAZARD'S CONCLUSIONS, LAZARD DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE OR REAFFIRM ITS VALUATION ANALYSIS AND DOES NOT INTEND TO DO SO.

LAZARD DID NOT INDEPENDENTLY VERIFY THE PROJECTIONS OR OTHER INFORMATION THAT LAZARD USED IN THE VALUATION ANALYSIS, AND NO INDEPENDENT VALUATIONS OR APPRAISALS OF THE DEBTORS WERE SOUGHT OR OBTAINED IN CONNECTION THEREWITH. THE VALUATION ANALYSIS WAS DEVELOPED SOLELY FOR PURPOSES OF THE PLAN AND THE ANALYSIS OF POTENTIAL RELATIVE RECOVERIES TO CREDITORS THEREUNDER. THE VALUATION ANALYSIS REFLECTS THE APPLICATION OF VARIOUS VALUATION TECHNIQUES, DOES NOT PURPORT TO BE AN OPINION AND DOES NOT PURPORT TO REFLECT OR CONSTITUTE APPRAISALS, LIQUIDATION VALUES, OR ESTIMATES OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED OR ASSETS TO BE SOLD PURSUANT TO THE PLAN, WHICH MAY BE SIGNIFICANTLY DIFFERENT THAN THE AMOUNTS SET FORTH IN THE VALUATION ANALYSIS.

THE VALUE OF AN OPERATING BUSINESS IS SUBJECT TO NUMEROUS UNCERTAINTIES AND CONTINGENCIES, WHICH ARE DIFFICULT TO PREDICT AND WILL FLUCTUATE WITH CHANGES IN FACTORS AFFECTING THE FINANCIAL CONDITION AND PROSPECTS OF SUCH A BUSINESS. AS A RESULT, THE VALUATION ANALYSIS IS NOT NECESSARILY INDICATIVE OF ACTUAL OUTCOMES, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE SET FORTH HEREIN. BECAUSE SUCH ESTIMATES ARE INHERENTLY SUBJECT TO UNCERTAINTIES, NEITHER THE DEBTORS, LAZARD NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THEIR ACCURACY. IN ADDITION, THE POTENTIAL VALUATION OF NEWLY ISSUED SECURITIES IS SUBJECT TO ADDITIONAL UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT. ACTUAL MARKET PRICES OF SUCH SECURITIES AT ISSUANCE WILL DEPEND UPON, AMONG OTHER THINGS, PREVAILING INTEREST RATES, CONDITIONS IN THE FINANCIAL AND COMMODITY MARKETS, THE ANTICIPATED INITIAL SECURITIES HOLDINGS OF PREPETITION CREDITORS, SOME OF WHICH MAY PREFER TO LIQUIDATE THEIR INVESTMENT RATHER THAN HOLD IT ON A LONG-TERM BASIS, THE POTENTIALLY DILUTIVE IMPACT OF CERTAIN EVENTS, INCLUDING THE ISSUANCE OF EQUITY SECURITIES UPON THE EXERCISE OF WARRANTS OR PURSUANT TO ANY EMPLOYEE INCENTIVE COMPENSATION PLAN, AND OTHER FACTORS WHICH GENERALLY INFLUENCE THE PRICES OF SECURITIES.

Lazard assumed that the Projections were reasonably prepared in good faith and on a basis reflecting the Debtors' best estimates and judgments as to the future operating and financial performance of the Reorganized Debtors. The Valuation Analysis assumed that the actual performance of the Reorganized Debtors will correspond to the Projections in all material respects. If the business performs at levels below or above those set forth in the Projections, such performance may have a materially negative or positive impact, respectively, on the Valuation Analysis and estimated potential ranges of Enterprise Value and Equity Value therein.

The Valuation Analysis does not constitute a recommendation to any holder of Allowed Claims or any other person as to how such person should vote or otherwise act with respect to the Plan. Lazard has not been requested to and does not express any view as to the potential trading value of the Reorganized Debtors' securities on issuance or at any other time.

The Projections include assumptions and estimates regarding the value of tax attributes and the impact of any cancellation of indebtedness income on the Reorganized Debtors. Such matters are subject to many uncertainties and contingencies that are difficult to predict. Any changes to the assumptions on the availability of tax attributes or the impact of cancellation of indebtedness income could materially impact the Valuation Analysis.

THE SUMMARY SET FORTH IN THIS SECTION XI DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE VALUATION ANALYSIS PERFORMED BY LAZARD. THE PREPARATION OF A VALUATION ANALYSIS INVOLVES VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE AND RELEVANT METHODS OF FINANCIAL ANALYSIS AND THE APPLICATION OF THESE METHODS IN THE PARTICULAR CIRCUMSTANCES AND, THEREFORE, SUCH AN ANALYSIS IS NOT READILY SUITABLE TO SUMMARY DESCRIPTION. THE VALUATION ANALYSIS PERFORMED BY LAZARD IS NOT NECESSARILY INDICATIVE OF ACTUAL VALUES OR FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE DESCRIBED HEREIN.

LAZARD IS ACTING AS INVESTMENT BANKER TO THE DEBTORS, AND HAS NOT BEEN, WILL NOT BE RESPONSIBLE FOR AND WILL NOT PROVIDE ANY TAX, ACCOUNTING, ACTUARIAL, LEGAL OR OTHER SPECIALIST ADVICE.

XII.

PLAN-RELATED RISK FACTORS

THE IMPLEMENTATION OF THE PLAN IS SUBJECT TO A NUMBER OF MATERIAL RISKS, INCLUDING THOSE DESCRIBED BELOW. PRIOR TO VOTING ON THE PLAN, EACH PARTY ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER THESE RISKS, AS WELL AS ALL OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE EXHIBITS ATTACHED HERETO. If any of these risks occur, the Debtors may not be able to conduct their business as currently planned, and their financial condition and operating results could be materially harmed. In addition to the risks set forth below, risks and uncertainties not presently known to the Debtors, or risks that the Debtors currently consider immaterial, may also impair the business, financial condition, cash flows and results of operations of the Debtors, the Reorganized Debtors or the New Company.

A. Certain Bankruptcy Considerations

The Plan May Not Be Accepted or Confirmed

There can be no assurance that the requisite acceptances to confirm the Plan will be obtained. Thus, although the Debtors believe the Plan is confirmable under the standards set forth in section 1129 of the Bankruptcy Code, there is no guarantee that the Plan will be accepted by the requisite Classes entitled to vote on the Plan. If the Plan is not confirmed or consummated, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to chapter 7 liquidation cases, or that any alternative plan of reorganization would be on terms as favorable to holders of Claims and Interests as the terms of the Plan.

The Debtors anticipate that certain parties in interest may file objections to the Plan in an effort to persuade the Bankruptcy Court that the Debtors have not satisfied the confirmation requirements under sections 1129(a) and (b) of the Bankruptcy Code. Even if: (1) no objections are filed; (2) all impaired Classes of Claims accept or are deemed to have accepted the Plan; or (3) with respect to any Class of Claims or Interests that rejects or is deemed to have rejected the Plan, the Bankruptcy Court, which can exercise substantial discretion, may determine that the Plan does not meet the requirements for confirmation under sections 1129(a) and (b) of the Bankruptcy Code.

As further described in Section VIII.C. above, section 1129(a) of the Bankruptcy Code requires, among other things, (1) a demonstration that the Confirmation of the Plan will not be followed by liquidation or need for further financial reorganization of the Debtors, except as contemplated by the Plan, and (2) that the value of distributions to parties entitled to vote on the Plan who vote to reject the Plan not be less than the value of distributions such creditors would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet the requirements for confirmation, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court determines that the Plan violates section 1129 of the Bankruptcy Code in any manner, including, among other things, the cramdown requirements under section 1129(b) of the Bankruptcy Code, the Debtors have reserved the right to amend the Plan in such a manner so as to satisfy the requirements of section 1129 of the Bankruptcy Code.

Classification and Treatment of Claims and Interests May Not Be Approved

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against, and Interests in, the Debtors. The Bankruptcy Code also provides that the Plan may place a Claim or Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests of such Class. The Debtors believe that all Claims and Interests have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtors would seek (1) to modify the Plan to provide for whatever classification might be required for confirmation and (2) to use the acceptances received from any holder pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such holder ultimately is deemed to be a member. Any such reclassification of holders, although subject to the notice and hearing requirements of the Bankruptcy Code, could adversely affect the Class in which such holder was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required for approval of the Plan. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a reclassification, would approve the Plan based upon such reclassification. Except to the extent that modification of classification in the Plan requires resolicitation, the Debtors will, in accordance with the Bankruptcy Code and the Bankruptcy Rules, seek a determination by the Bankruptcy Court that acceptance of the Plan by any holder of Claims pursuant to this solicitation will constitute a consent to the Plan's treatment of such holder regardless of the Class as to which such holder is ultimately deemed to be a member. The Debtors believe that, under the Bankruptcy Rules, they would be required to resolicit votes for or against the Plan only when a modification adversely affects the treatment of the Claim or Interest of any holder.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim or Interest of a particular Class unless the holder of a particular Claim or Interest agrees to a less favorable treatment of its Claim or Interest. The Debtors believe that the Plan complies with the requirement of equal treatment. To the extent that the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court could deny Confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the Confirmation and consummation of the Plan and could increase the risk that the Plan will not be consummated.

The Bankruptcy Court May Terminate Exclusivity, Creating an Additional Risk to Confirmation

At the outset of these cases, the Bankruptcy Code gave the Debtors the exclusive right to propose the Plan and prohibited creditors and others from proposing a plan. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan in order to achieve the Debtors' stated goals.

Nonconsensual Confirmation

In the event that any impaired class of Claims or Interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Debtors believe that the Plan will satisfy these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses.

Plan Releases May Not Be Approved

There can be no assurance that the Plan releases, as provided in Article V of the Plan, will be granted. Failure of the Bankruptcy Court to grant such relief may result in a plan of reorganization that differs from the Plan or the Plan not being confirmed.

If the PSA is Terminated, the Ability of the Debtors to Confirm and Consummate the Plan Could Be Materially and Adversely Affected

The PSA contains a number of termination events, upon the occurrence of which certain parties to the PSA may terminate such agreement. If the PSA is terminated, each of the parties thereto will be released from their obligations in accordance with the terms of the PSA. Such termination may result in the loss of support for the Plan by the Creditor Co-Proponents, which could adversely affect the Debtors' ability to confirm and consummate the Plan. If the Plan is not consummated, there can be no assurance that any new Plan would be as favorable to holders of Claims as the current Plan. Either outcome may materially reduce distributions to holders of Claims.

The Plan May Not Be Consummated if the Conditions to Effectiveness of the Plan Are Not Satisfied

Sections V.A. and V.B. of the Plan provide for certain conditions that must be satisfied (or waived) prior to the Confirmation Date and for certain other conditions that must be satisfied (or waived) prior to the Effective Date, including: (1) entry of the Confirmation Order by the Bankruptcy Court in a form and substance acceptable to the Debtors and the Creditor Co-Proponents; (2) execution of all documents and agreements necessary to consummate the Plan; (3) the conditions precedent to the effectiveness of any Exit Facility are satisfied or waived by the parties thereto and the Reorganized Debtors have access to funding under the Exit Facility; (4) the Confirmation Order has become a final Order; (5) the Rights Offering has been consummated and the Debtors have received at least $750 million in total proceeds therefrom; and (6) the Debtors have obtained a Bonding Solution.

As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, there can be no assurance that the Plan will be confirmed by the Bankruptcy Court. Further, if the Plan is confirmed, there can be no assurance that the Plan will be consummated.

If the Plan Is Not Confirmed or Consummated, or the Reorganization Is Delayed, Distributions to Holders of Allowed Claims May Be Materially Reduced

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a cause under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. If a liquidation or protracted reorganization were to occur, the distributions to holders of Allowed Claims would likely be drastically reduced. In particular, the Debtors believe that, as set forth in the Liquidation Analysis, in a liquidation under chapter 7, holders of Allowed Claims would receive substantially less because of the inability in a liquidation to realize the greater going-concern value of the Debtors' assets. Furthermore, administrative expenses of a chapter 7 trustee and the trustee's attorneys, accountants and other professionals would cause a substantial erosion of the value of the Debtors' estates. Substantial additional Claims may also arise by reason of a protracted reorganization or liquidation, including from the rejection of previously assumed Unexpired Leases and other Executory Contracts, further reducing Distributions to holders of Allowed Claims.

If the Effective Date is delayed, the Debtors may not have sufficient cash available in order to operate their business. In that case, the Debtors may need new or additional postpetition financing, which may increase the costs of consummating the Plan. There is no assurance of the terms on which such financing may be available or if such financing will be available. Any increased costs as a result of the incurrence of additional indebtedness may reduce amounts available to distribute to holders of Allowed Claims.

Further, the continuation of the Chapter 11 Cases, particularly if the Plan is not confirmed in the time frame currently contemplated, could adversely affect operations and relationships with the Debtors' customers, vendors, employees and regulators. If Confirmation and consummation of the Plan do not occur expeditiously, the Chapter 11 Cases could result in, among other things, increased costs for Professional fees and similar expenses. In addition, prolonged Chapter 11 Cases may make it more difficult to retain and attach management and other key personnel and would require senior management to spend a significant amount of time and effort dealing with the Debtors' financial reorganization instead of focusing on the operation of the Debtors' businesses.

Distributions to Holders of Allowed Claims Under the Plan May Differ from the Debtors' Estimates

Except as otherwise provided in the Plan, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement. The estimates of Allowed Claims in this Disclosure Statement are based on the Debtors' review of (1) the proofs of claim Filed in the Chapter 11 Cases as of the time of the filing of this Disclosure Statement, (2) their books and records and (3) the results of Claim settlements achieved and Claims objections prosecuted to completion as of the time of the filing of this Disclosure Statement. Upon (1) the passage of all applicable Bar Dates, (2) the completion of further analyses of the Proofs of Claim and (3) the completion of Claims litigation and related matters, the total amount of Claims that ultimately become Allowed Claims in the Chapter 11 Cases may differ from the Debtors' estimates, and such difference could be material. For example, the amount of any Disputed Claim that ultimately is allowed may be significantly more or less than the estimated amount of such Claim used herein. Particular risks exist with respect to those Claims, such as Priority Claims, Priority Tax Claims and Secured Claims, that must be paid in Cash by the Recognized Debtors under the Plan. If estimates of such Claims are inaccurate, it may materially and adversely affect the Recognized Debtors' financial condition.

Projected distributions are based upon good faith estimates of the total amount of Claims ultimately Allowed and the funds available for distribution. There can be no assurance that the estimated Claim amounts set forth in this Disclosure Statement are correct. These estimated amounts are based on certain assumptions with respect to a variety of factors, including with respect to disputed, contingent and unliquidated Claims. Both the actual amount of Allowed Claims in a particular Class and the funds available for distribution to such Class may differ from the Debtors' estimates. If the total amount of Allowed Claims in a Class is higher than the Debtors' estimates, or the funds available for distribution to such Class are lower than the Debtors' estimates, the percentage recovery to holders of Allowed Claims in such Class will be less than projected.

Continued Risk Upon Confirmation

Even if a chapter 11 plan of reorganization is confirmed, the Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in customer demand for, and acceptance of, their coal, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of reorganization reflecting the Plan will achieve the Debtors' stated goals.

Furthermore, even if the Debtors' debts are reduced and/or discharged through the Plan, the Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' business after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the New Company's Financial Condition and Results of Operations

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arise prior to the Debtors'

filing a petition for reorganization under the Bankruptcy Code or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the plan of reorganization and/or (b) would be discharged in accordance with the terms of the plan of reorganization. Any claims not ultimately discharged through a plan of reorganization could be asserted against the New Company and may have an adverse effect on the New Company's financial condition and results of operations on a post-reorganization basis.

Operating in Bankruptcy for a Long Period of Time May Harm the Debtors' Businesses

The Debtors' future results will be dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Debtors' businesses, financial condition, results of operations, and liquidity. So long as the proceedings related to these cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of the Debtors' businesses. In addition, the longer the proceedings related to the Chapter 11 Cases continue, the more likely it is that customers and suppliers will lose confidence in the Debtors' ability to reorganize their businesses successfully and will seek to establish alternative commercial relationships.

So long as the proceedings related to these cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases, including the cost of litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims under the Plan, as further discussed herein. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

The chapter 11 proceedings may also require the Debtors to seek new debtor-in-possession financing to fund operations. If the Debtors are unable to obtain such financing on favorable terms or at all, the chances of successfully reorganizing the Debtors' businesses may be seriously jeopardized, the likelihood that the Debtors will instead be required to liquidate their assets may increase, and, as a result, creditor recoveries may be significantly impaired.

The Reorganized Debtors' Ability to Use the Debtors' Pre-Emergence Tax Attributes May Be Significantly Limited Under the United States Federal Income Tax Rules

The Debtors have generated net operating losses and certain tax credits for U.S. federal income tax purposes ("NOLs") through the taxable year ending December 31, 2015. The Debtors expect to incur substantial additional NOLs through the Effective Date.

The Debtors' NOLs and other tax attributes, including their tax basis in assets, are subject to reduction on account of cancellation of indebtedness income. Moreover, the Reorganized Debtors' ability to use any remaining NOLs and other tax attributes, and possibly any recognized built in losses, to offset future taxable income or taxes owed may be significantly limited if the Debtors undergo an "ownership change" as defined in section 382 of the Internal Revenue Code in connection with the Plan and do not qualify or elect to use a special bankruptcy rule. An entity that experiences an ownership change generally is subject to an annual limitation on its use of its pre-ownership change NOLs and other tax attributes after the ownership change equal to the equity value of the corporation immediately before the ownership change, multiplied by the long term tax exempt rate posted by the Internal Revenue Service (the "IRS") (subject to certain adjustments). If the Debtors undergo an ownership change in connection with the Plan, however, they will be allowed to calculate the limitation on NOLs and other tax attributes, in general, by reference to their equity value immediately after the ownership change (rather than the equity value immediately before the ownership change, as is the case under the general rule for non bankruptcy ownership changes), thus generally reflecting any increase in the value of the stock due to the cancellation of debt resulting from the Plan. The annual limitation could also be increased each year to the extent that there is an unused limitation in a prior year. Alternatively, if the Debtors qualify for and elect to use a special bankruptcy rule that

would prevent a limitation on use of the tax attributes from applying, the Debtors' NOLs would first be reduced to the extent of certain prior interest deductions taken on account of indebtedness that will be converted into equity under the Plan. The Debtors anticipate that they will experience an ownership change as a result of the Plan; accordingly, the ability to use pre-change tax attributes to offset the Reorganized Debtors' future taxable income or taxes owed pre-ownership may be significantly limited.

Consummation of the Plan May Impair Certain of the Tax Assets of the Company's Australian Operations

The Company's Australian operations have had significant net operating losses for Australian income tax purposes ("Australian NOLs") through the taxable year ending December 31, 2015. The Company's Australian operations estimate they will incur additional Australian NOLs for the taxable year ending December 31, 2016. The use of Australian NOLs is subject to the Company's Australian operations satisfying the Continuity of Ownership Test ("COT") in the first instance, or if that test is failed, the Same Business Test (the "SBT"). If the Company's Australian operations satisfy either the COT or the SBT, it can apply Australian NOLs against Australian taxable income.

The Company's Australian operations currently rely on concessional ownership tracing rules to support the position that the operations continue to satisfy the COT. However, continuing to satisfy the COT depends upon there being at least 50 shareholders at all times prior to, during and immediately after the consummation of the Plan, of which 20 shareholders or fewer are not able to control 75% of the rights to vote, entitlement to dividends or rights to distributions on winding up. It is possible that the consummation of the Plan may cause the Company's Australian operations to fail the COT. Should that happen, the Company's Australian operations are able to fall back on the SBT, which generally requires that from the time the losses were incurred until the income year in which the Australian NOLs are sought to be used, the operations carried on substantially the same business and that during the same period the group did not enter into any new transactions of a kind it had previously not entered into. In the event that the Company's Australian operations cannot satisfy either the COT or the SBT, although the NOLs are not technically cancelled, the NOLs cannot be used.

The New Company May Not Be Able to Achieve Its Projected Financial Results

The financial projections set forth in Exhibit C to this Disclosure Statement represent the Debtors' best estimate of the future financial performances of the New Company based on currently known facts and assumptions about future operations, as well as the United States and world economies in general and, specifically, as related to the coal industry and related industries (*e.g.*, electricity generated from natural gas and other fuels). The actual financial results may differ significantly from the projections as the projections are subject to inherent uncertainty due to the numerous assumptions upon which they are based that are beyond the Debtors' control. If the New Company does not achieve its projected financial results, then the value of the New Company's debt or equity issued pursuant to the Plan may experience a decline, and the New Company may lack sufficient liquidity to continue operating as planned after the Effective Date. Likewise, if the New Company does not achieve its projected financial results, then it may not have the ability to satisfy costs associated with various environmental, health and safety regulations applicable to the New Company's operations, and state and federal agencies may take enforcement actions that force such operations to shut down immediately.

As a Result of These Chapter 11 Cases and Applicable Fresh Start Reporting Rules, the New Company's Historical Financial Information May Not Be Indicative of Their Future Financial Performance

The Company's capital structure will be significantly altered under any plan of reorganization ultimately confirmed by the Bankruptcy Court. As a result of the consummation of the Plan and the transactions contemplated thereby, the New Company expects to be subject to the fresh start reporting rules required under the Financial Accounting Standards Board Accounting Standards Codification Topic 852, Reorganizations. Under applicable fresh start reporting rules that may apply to the New Company upon the Effective Date of the Plan, the New Company's assets and liabilities would be adjusted to fair values and their accumulated deficit would be restated to zero. Accordingly, the New Company's consolidated financial condition and results of operations from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in the Company's

consolidated historical financial statements. In addition, the financial projections set forth in Exhibit C do not currently reflect the full impact of fresh start reporting, which may have a material impact on the financial projections moving forward.

B. General Economic Risk Factors and Risks Specific to the Business of the New Company

New Company's Profitability Depends Upon the Prices It Receives for Its Coal

The Debtors operate in a competitive and highly regulated industry that for years has experienced strong headwinds. Decreased prices in the first three quarters of 2016 have reduced the Company's revenues. For example, the Company's revenues decreased during the three-month and nine-month periods ending on September 30, 2016 compared to the same periods in 2015 ($211.8 million and $1,021.6 million, respectively) primarily due to lower realized pricing and lower sales volumes driven by various demand and production factors. Recently, the coal industry has seen sharp upturns in seaborne metallurgical and thermal coal pricing primarily due to restrictive production policies in China. However, these recent industry events do not demonstrate that these prices will be sustainable in the future and the vast majority of third-party analysts project that prices are likely to decline. If coal prices decrease or return to depressed levels, the New Company's operating results and profitability and value of the New Company's coal reserves could be materially and adversely affected.

Coal prices are dependent upon factors beyond the Company's or the New Company's control, including:

- the strength of the global economy;
- the relative price of natural gas and other energy sources used to generate electricity;
- the demand for electricity and capacity utilization of electricity generating units (whether coal or non-coal);
- the demand for steel, which may lead to price fluctuations in the monthly and quarterly repricing of the New Company's metallurgical coal contracts;
- the global supply and production costs of thermal and metallurgical coal;
- changes in the fuel consumption and dispatch patterns of electric power generators;
- weather patterns and natural disasters;
- competition within the New Company's industry and the availability, quality and price of alternative fuels, including natural gas, fuel oil, nuclear, hydroelectric, wind, biomass and solar power;
- the proximity, capacity and cost of transportation and terminal facilities;
- coal and natural gas industry output and capacity;
- governmental regulations and taxes, including those establishing air emission standards for coal-fueled power plants or mandating or subsidizing increased use of electricity from renewable energy sources;
- regulatory, administrative and judicial decisions, including those affecting future mining permits and leases; and
- technological developments, including those related to alternative energy sources, those intended to convert coal-to-liquids or gas and those aimed at capturing, using and storing carbon dioxide.

In the U.S., the Company's strategy is to selectively renew, or enter into new, long-term supply agreements when it can do so at prices it believes are favorable. In Australia, current industry practice, and the Company's typical practice, has been to negotiate pricing for metallurgical coal contracts quarterly and seaborne thermal coal contracts annually, with a substantial portion sold on a shorter-term basis.

Thermal coal accounted for the majority of the Company's coal sales during 2015. The vast majority of the Debtors' sales of thermal coal were to electric power generators. The demand for coal consumed for electric power generation is affected by many of the factors described above, but primarily by: (1) the overall demand for electricity; (2) the availability, quality and price of competing fuels, such as natural gas, nuclear fuel, oil and alternative energy sources; (3) utilization of all electricity generating units (whether using coal or not), including the relative cost of producing electricity from all fuels, including coal; (4) increasingly stringent environmental and other governmental regulations; and (5) coal inventories of utilities. Gas-fueled generation has displaced and is expected to continue to displace coal-fueled generation, particularly from older, less efficient coal-powered generators. Many of the new power plants in the U.S. may be fueled by natural gas because gas-fired plants are viewed as cheaper to construct and permits to construct these plants are easier to obtain as natural gas is seen as having a lower environmental impact than coal-fueled generators. Increasingly stringent regulations along with flat electricity demand have also reduced the number of new power plants being built. These trends have reduced demand for the Company's coal and the related prices. Any further reduction in the amount of coal consumed by electric power generators could reduce the volume and price of coal that the New Company mines and sells.

Lower demand for metallurgical coal by steel producers would reduce the New Company's revenues and could further reduce the price of metallurgical coal. The Company produces metallurgical coal that is used in the global steel industry. Metallurgical coal accounted for approximately 21.4% and 24.1% of the Company's coal sales revenue in 2015 and 2014, respectively. Deteriorating conditions in the steel industry, including the demand for steel and the continued financial condition of the industry, could reduce the demand for the Company's metallurgical coal. Lower demand for metallurgical coal in international markets would reduce the amount of metallurgical coal that the New Company sells and the prices that it receives for metallurgical coal, thereby reducing the New Company's revenues and adversely impacting its earnings and the value of its coal reserves.

Additionally, the Company competes with numerous other domestic and foreign coal producers for domestic and international sales. This competition affects domestic and foreign coal prices and the New Company's ability to attract and retain customers. The balance between coal demand and supply within the coal industry, factoring in demand and supply of closely related and competing segments such as natural gas, both domestically and internationally, could materially reduce coal prices and therefore materially reduce the New Company's revenues and profitability. The Company competes, and the New Company will compete, with producers of other low cost fuels used for electricity generation, such as natural gas and renewables. Declines in the price of natural gas, or continued low natural gas prices, could cause demand for coal to decrease and adversely affect the price of coal. Sustained periods of low natural gas prices or other fuels may also cause utilities to phase out or close existing coal-fired power plants or reduce construction of new coal-fired power plants, which could have a material adverse effect on demand and prices for the New Company's coal, thereby reducing its revenues and materially and adversely affecting its business and results of operations.

The New Company May Not Be Able to Generate Sufficient Cash to Service All of Their Indebtedness

The New Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the New Company's control. The New Company may be unable to maintain a level of cash flow from operating activities sufficient to permit the New Company to pay the principal, premium, if any, and interest on its indebtedness.

If a Substantial Number of the New Company's Long-Term Coal Supply Agreements Terminate, the New Company's Revenues and Operating Profits Could Suffer if It Is Unable to Find Alternate Buyers Willing to Purchase Its Coal on Comparable Terms to Those in Its Current Contracts

Most of the New Company's sales will be made under coal supply agreements, which are important to the stability and profitability of the New Company's operations. The execution of a satisfactory coal supply agreement is frequently the basis on which the New Company will undertake the development of coal reserves required to be supplied under the contract, particularly in the U.S.

Many of the New Company's coal supply agreements are expected to contain provisions that permit the parties to adjust the contract price upward or downward at specified times. The New Company may adjust these contract prices based on inflation or deflation and/or changes in the factors affecting the cost of producing coal, such as taxes, fees, royalties and changes in the laws regulating the mining, production, sale or use of coal. In a limited number of contracts, failure of the parties to agree on a price under those provisions may allow either party to terminate the contract. The Company has sometimes experienced a reduction in coal prices in new long-term coal supply agreements replacing some of its expiring contracts. Coal supply agreements also typically contain *force majeure* provisions allowing temporary suspension of performance by the New Company or the customer during the duration of specified events beyond the control of the affected party. Most of the New Company's coal supply agreements are expected to contain provisions requiring it to deliver coal meeting quality thresholds for certain characteristics such as Btu, sulfur content, ash content, grindability and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or termination of the contracts. Moreover, some of these agreements will allow the New Company's customers to terminate their contracts in the event of changes in regulations affecting the New Company's industry that restrict the use or type of coal permissible at the customer's plant or increase the price of coal beyond specified limits.

The operating profits the New Company will realize from coal sold under supply agreements will depend on a variety of factors. In addition, price adjustment and other provisions may increase the New Company's exposure to short-term coal price volatility provided by those contracts. If a substantial portion of the New Company's coal supply agreements were modified or terminated, the New Company could be materially adversely affected to the extent that it is unable to find alternate buyers for its coal at the same level of profitability. Prices for coal vary by mining region and country. As a result, the New Company cannot predict the future strength of the coal industry overall or by mining region and cannot provide assurance that it will be able to replace existing long-term coal supply agreements at the same prices or with similar profit margins when they expire.

The Loss of, or Significant Reduction in, Purchases by the New Company's Customers Could Adversely Affect Its Revenues

For the year ending on December 31, 2015, the Company derived 26% of its total revenues from its five largest customers, similar to the prior year. Those five customers were supplied primarily from 31 coal supply agreements (excluding trading transactions) expiring at various times from 2016 to 2026. If a number of these customers significantly reduce their purchases of coal from the New Company, or if the New Company is unable to sell coal to them on terms as favorable as the terms under the Company's current agreements, the New Company's financial condition and results of operations could suffer materially. In addition, the New Company's revenue could be adversely affected by a decline in customer purchases (including contractually obligated purchases) due to lack of demand and oversupply, cost of competing fuels and environmental and other governmental regulations.

The Company's Trading and Hedging Activities No Longer Cover Certain Risks and May Expose the New Company to Earnings Volatility and Other Risks, Including Increasing Requirements to Post Collateral

The Company historically entered into hedging arrangements designed primarily to manage market price volatility of foreign currency (primarily the Australian dollar), diesel fuel and coal. Currently, the Company primarily enters into hedging arrangements designed to manage coal industry price through its trading and marketing functions; however, the New Company may in the future enter into hedging arrangements to manage the volatility of foreign currency, diesel fuel or other matters.

Some of these derivative trading instruments require the Company to post margin based on the value of those instruments and other credit factors. If the fair value of its hedge portfolio moves significantly, or laws or regulations are passed requiring all hedge arrangements to be exchange-traded or exchange-cleared, the New Company could be required to post additional margin. In addition, as a result of the Chapter 11 Cases and the volatility in global markets, the Company has increasingly been required to post margin under the requirements of these instruments. Further requirements to post margin could negatively impact its liquidity.

Through the Company's trading and hedging activities, it is also exposed to the nonperformance and credit risk with various counterparties, including exchanges and other financial intermediaries. Should the counterparties

to these arrangements fail to perform, the New Company may be forced to enter into alternative arrangements, which could negatively impact its profitability and/or liquidity.

The Company is currently subject to foreign currency exchange rate risk for non-U.S. dollar expenditures and balances and price risk on diesel fuel utilized in its mining operations. As noted above, the Company has historically used derivative financial instruments, including forward contracts, swaps and options, designated as cash flow hedges, to manage these risks. The Chapter 11 Cases constituted an event of default under these derivative financial instruments and the counterparties terminated the agreements shortly thereafter in accordance with contractual terms. As a result, the New Company will be exposed to foreign currency exchange rate risk and the risk of fluctuations in the price of fuel.

The New Company's Operating Results Could Be Adversely Affected by Unfavorable Economic and Financial Industry Conditions

The Company's profits are affected, in large part, by the industry conditions. Industry conditions are subject to a variety of factors beyond the Company's, or the New Company's, control. In recent years, the global economic recession and the worldwide financial and credit market disruptions had a negative impact on the Company and on the coal industry generally. These conditions, among other factors, led to the Debtors filing the Chapter 11 Cases.

If any of these conditions return, if coal prices continue at or below levels experienced in 2015 and early 2016 for a prolonged period or if there are further downturns in economic conditions, particularly in developing countries such as China and India, the New Company's business, financial condition or results of operations could be adversely affected. While the Company is focused on cost control, productivity improvements, increased contributions from its higher-margin operations and capital discipline, there can be no assurance that these actions, or any others the Company or New Company may take, will be sufficient in response to challenging economic and financial conditions.

The New Company's Ability to Collect Payments from Its Customers Could Be Impaired if Its Customers' Creditworthiness or Contractual Performance Deteriorates

The New Company's ability to receive payment for coal sold and delivered or for financially settled contracts will depend on the continued creditworthiness and contractual performance of its customers and counterparties. The Company's customer base has changed with deregulation in the U.S. as utilities have sold their power plants to non-regulated affiliates or third parties. These new customers may have credit ratings that are below investment grade or are not rated. If deterioration of the creditworthiness of the New Company's customers occurs or it fails to perform on the terms of its contracts with the New Company, the New Company's accounts receivable and its business could be adversely affected.

Risks Inherent to Mining Could Increase the Cost of Operating the New Company's Business

The Company's and the New Company's mining operations are subject to conditions that can impact the safety of its workforce, or delay coal deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include fires and explosions from methane gas or coal dust; accidental mine water discharges; weather, flooding and natural disasters; unexpected maintenance problems; unforeseen delays in implementation of mining technologies that are new to the Company's, or the New Company's, operations; key equipment failures; variations in coal seam thickness; variations in coal quality; variations in the amount of rock and soil overlying the coal deposit; variations in rock and other natural materials and variations in geologic conditions. The New Company expects to maintain insurance policies that provide limited coverage for some of these risks, although there can be no assurance that these risks would be fully covered by its insurance policies. Despite the Company's or the New Company's efforts, such conditions could occur and have a substantial impact on the New Company's results of operations, financial condition or cash flows.

If Transportation for the New Company's Coal Becomes Unavailable or Uneconomic for the New Company's Customers, the New Company's Ability to Sell Coal Could Suffer

Transportation costs represent a significant portion of the total cost of coal use and the cost of transportation is a critical factor in a customer's purchasing decision. Increases in transportation costs and the lack of sufficient rail and port capacity could lead to reduced coal sales.

The New Company will depend upon rail, barge, trucking, overland conveyor and ocean-going vessels to deliver coal to its customers. While the Company expects that the New Company's coal customers will typically arrange and pay for transportation of coal from the mine or port to the point of use, disruption of these transportation services because of weather-related problems, infrastructure damage, strikes, lock-outs, lack of fuel or maintenance items, underperformance of the port and rail infrastructure, congestion and balancing systems which are imposed to manage vessel queuing and demurrage, non-performance or delays by co-shippers, transportation delays or other events could temporarily impair the New Company's ability to supply coal to its customers and thus could adversely affect its results of operations.

A Decrease in the Availability or Increase in Costs of Key Supplies, Capital Equipment or Commodities Such as Diesel Fuel, Steel, Explosives and Tires Could Decrease the New Company's Anticipated Profitability

The New Company's mining operations will require a reliable supply of mining equipment, replacement parts, fuel, explosives, tires, steel-related products (including roof control materials), lubricants and electricity. There has been some consolidation in the supplier base providing mining materials to the coal industry, such as with suppliers of explosives in the U.S. and both surface and underground equipment globally, that has limited the number of sources for these materials. In situations where the Company has chosen to concentrate a large portion of purchases with one supplier, it has been to take advantage of cost savings from larger volumes of purchases and to ensure security of supply. If the cost of any of these inputs increased significantly, or if a source for these supplies or mining equipment were unavailable to meet the New Company's replacement demands, the New Company's profitability could be reduced or it could experience a delay or halt in its production.

Take-or-Pay Arrangements Within the Coal Industry Could Unfavorably Affect the New Company's Profitability

The Company has substantial take-or-pay arrangements, predominately in Australia, totaling $2.2 billion, with terms ranging up to 27 years, that commit it to pay a minimum amount for rail and port commitments for the delivery of coal even if those commitments go unused. The take-or-pay provisions in these contracts allows the Company to subsequently apply take-or-pay payments made to deliveries subsequently taken, but these provisions have limitations and it may not be able to utilize all such amounts paid if the limitations apply or if it does not subsequently take sufficient volumes to utilize the amounts previously paid. Additionally, the New Company and other coal companies may continue to deliver coal during times when it might otherwise be optimal to suspend operations because these take-or-pay provisions effectively convert a variable cost of selling coal to a fixed operating cost.

An Inability of Trading, Brokerage, Mining or Freight Counterparties to Fulfill the Terms of Their Contracts with the New Company Could Reduce the New Company's Profitability

In conducting its trading, brokerage and mining operations, the Company utilizes, and the New Company expects to utilize, third-party sources of coal production and transportation, including contract miners and brokerage sources, to fulfill deliveries under its coal supply agreements. While the Company has completed several conversions to owner-operator status at certain of its Australian Mining Operations, a portion of its sales volume continues to come from mines that utilize contract miners. Employee relations at mines that use contract miners are the responsibility of the contractor.

The New Company's profitability or exposure to loss on transactions or relationships will be dependent upon the reliability (including financial viability) and price of the third-party suppliers; the third party's obligation to

supply coal to customers in the event that weather, flooding, natural disasters or adverse geologic mining conditions restrict deliveries from the New Company's suppliers; its willingness to participate in temporary cost increases experienced by its third-party coal suppliers; its ability to pass on temporary cost increases to its customers; the ability to substitute, when economical, third-party coal sources with internal production or coal purchased in the market and the ability of its freight sources to fulfill their delivery obligations. Industry volatility and price increases for coal or freight on the international and domestic markets could result in non-performance by third-party suppliers under existing contracts with the Company or the New Company, in order to take advantage of the higher prices in the current industry. Such non-performance could have an adverse impact on the Company's or the New Company's ability to fulfill deliveries under its coal supply agreements.

The New Company May Not Recover Its Investments in Its Mining, Exploration and Other Assets, Which May Require It to Recognize Impairment Charges Related to Those Assets

The value of the New Company's assets may be adversely affected by numerous uncertain factors, some of which are beyond the New Company's control, including unfavorable changes in the economic environments in which it operates, lower-than-expected coal pricing, technical and geological operating difficulties, an inability to economically extract its coal reserves and unanticipated increases in operating costs. These may cause the New Company to fail to recover all or a portion of its investments in those assets and may trigger the recognition of impairment charges in the future, which could have a substantial impact on its results of operations. This may be mitigated by the New Company's application of fresh start reporting rules.

The New Company's Ability to Operate Effectively Could Be Impaired If It Loses Key Personnel or Fails to Attract Qualified Personnel

The New Company will manage its business with a number of key personnel, the loss of whom could have a material adverse effect on it, absent the completion of an orderly transition. In addition, the Company believes that the New Company's future success will depend greatly on its continued ability to attract and retain highly skilled and qualified personnel, particularly personnel with mining experience. The Company cannot provide assurance that key personnel will continue to be employed by the New Company or that the New Company will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on the New Company.

The New Company Could be Negatively Affected if It Fails to Maintain Satisfactory Labor Relations

As of October 31, 2016, the Company had approximately 6,664 employees (excluding employees that were employed at operations classified as discontinued), which included approximately 5,022 hourly employees. Approximately 39% of its hourly employees were represented by organized labor unions and generated 23% of 2016 year-to-date coal production. Additionally, those employed through contract mining relationships in Australia are also members of trade unions. Relations with employees and, where applicable, organized labor are important to the Company's, and the New Company's, success. If some or all of the Company's current non-union operations were to become unionized, the New Company could incur an increased risk of work stoppages, reduced productivity and higher labor costs. Also, if the Company or the New Company fails to maintain good relations with its union workforce, the New Company could experience labor disputes, work stoppages or other disruptions in production that could negatively impact its profitability.

The New Company Could Be Adversely Affected if It Fails to Appropriately Provide Financial Assurances For Its Obligations

U.S. federal and state laws and Australian laws require the New Company to provide financial assurances for certain of the New Company's obligations to reclaim lands used for mining, to pay federal and state workers' compensation, to provide financial assurances for coal lease obligations and to satisfy other miscellaneous obligations. The primary methods the Company uses to meet those obligations are to post a corporate guarantee (*i.e.*, self bond), provide a third-party surety bond or provide a letter of credit. As of September 30, 2016, the Debtors had $1.1 billion of self bonding in place for their Coal Mine Reclamation Obligations. As of September 30, 2016, the Company also had outstanding surety bonds with third parties, bank guarantees and letters

of credit of $804.5 million, of which $490.8 million was for post-mining reclamation, $71.1 million related to workers' compensation obligations, $96.7 million was for coal lease obligations and $145.9 million was for other obligations, including road maintenance and performance guarantees. In addition, as of September 20, 2016, the Company has posted letters of credit and cash collateral in support of these financial instruments of $315.0 million. During 2015 and 2016, the Company was required to increase its total posted letters of credit to the issuing parties of certain of its surety bonds and bank guarantees, whereas it had not previously been required to do so. Surety bonds are typically renewable on a yearly basis. Surety bond issuers may not continue to renew the bonds or may demand additional collateral upon those renewals, which may in turn affect the New Company's available liquidity.

As discussed above in Section IV.J., the Bankruptcy Court approved stipulations between certain Debtors and the WDEQ, New Mexico MMD, the IDNR and the Illinois DNR, pursuant to which those Debtors granted superpriority claims and/or Bonding Facility Letters of Credit to the states of Wyoming, New Mexico, Indiana and Illinois. The stipulations are effective until the earlier of the date (subject to certain early termination provisions) that: (1) the Debtors' Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code; (2) the DIP Facility Lenders exercise remedies against the Term Facility Collateral (as that term is defined in the DIP Facility Credit Agreement); or (3) a plan of reorganization that provides for bonding of the Debtors' Coal Mine Reclamation Obligations in the Self-Bonding State in accordance with applicable law becomes effective by its terms.

The Debtors' bonding obligations may increase as the Chapter 11 Cases continue, and, upon their emergence from bankruptcy or otherwise, the New Company may not continue to qualify to self-bond or self-bonding programs may be terminated. Alternative forms of financial assurance such as surety bonds and letters of credit may not be available to the New Company. The New Company's failure to retain, or inability to acquire, surety bonds, bank guarantees or letters of credit, or to provide a suitable alternative, would have a material adverse effect on it. That failure could result from a variety of factors including the following:

- lack of availability, higher expense or unfavorable market terms of new surety bonds;
- restrictions on the availability of collateral for current and future third-party surety bond issuers; and
- the exercise by third-party surety bond issuers of their right to refuse to renew the surety.

To the extent the New Company is unable to maintain the Company's current level of self-bonding, owing to legislative or regulatory changes or changes in the Company's financial condition, its costs would increase, and there could be a material adverse effect on its financial condition and results of operations. In addition, its failure to obtain adequate bonding would prevent mining operations from continuing which would cast substantial doubt on the New Company's ability to continue as a going concern.

The Company's Mining Operations are Extensively Regulated, Which Imposes Significant Costs on the Company, and Future Regulations and Developments Could Increase Those Costs or Limit the New Company's Ability to Produce Coal

The coal mining industry is subject to regulation by federal, state and local authorities with respect to matters such as:

- employee health and safety;
- limitations on land use;
- mine permitting and licensing requirements;
- reclamation and restoration of mining properties after mining is completed;
- the storage, treatment and disposal of wastes;
- remediation of contaminated soil and groundwater;
- air quality standards;

- water pollution;
- protection of human health, plant-life and wildlife, including endangered or threatened species;
- protection of wetlands;
- the discharge of materials into the environment; and
- the effects of mining on surface water and groundwater quality and availability.

Regulatory agencies have the authority under certain circumstances following significant health and safety incidents to order a mine to be temporarily or permanently closed. In the event that such agencies ordered the closing of one of the New Company's mines, its production and sale of coal would be disrupted and the New Company may be required to incur cash outlays to re-open the mine. Any of these actions could have a material adverse effect on its financial condition, results of operations and cash flows.

The possibility exists that new legislation or regulations and orders, including without limitation related to the environment or employee health and safety may be adopted and may materially adversely affect the New Company's mining operations, its cost structure or its customers' ability to use coal. New legislation or administrative regulations (or new interpretations by the relevant government of existing laws and regulations), including proposals related to the protection of the environment or the reduction of greenhouse gas emissions that would further regulate and tax the coal industry, may also require the New Company or its customers to change operations significantly or incur increased costs. Some of the Company's coal supply agreements contain provisions that allow a purchaser to terminate its contract if legislation is passed that either restricts the use or type of coal permissible at the purchaser's plant or results in specified increases in the cost of coal or its use. These factors and legislation, if enacted, could have a material adverse effect on the New Company's financial condition and results of operations.

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 Company's right to mine some of its reserves may be materially adversely affected if defects in title or boundaries exist. In order to conduct its mining operations on properties where these defects exist, the New Company may incur unanticipated costs. In addition, in order to develop its reserves, the New Company must also own the rights to the related surface property and receive various governmental permits. The Company cannot predict whether the New Company will receive the permits or appropriate land access necessary for it to operate profitably in the future. The New Company may not be able to negotiate new leases from the government or from private parties, obtain mining contracts for properties containing additional reserves or maintain the Company's leasehold interest in properties on which mining operations have not commenced or have not met minimum quantity or product royalty requirements. From time to time, the Company has experienced litigation with lessors of its coal properties and with royalty holders. In addition, from time to time, the Company's permit applications and federal and state coal leases have been challenged, causing production delays.

To the extent that its existing sources of liquidity are not sufficient to fund its planned mine development projects and reserve acquisition activities, the New Company may require access to capital markets, which may not be available to it or, if available, may not be available on satisfactory terms. If the New Company is unable to fund these activities, it may not be able to maintain or increase its existing production rates and it could be forced to change its business strategy, which could have a material adverse effect on the New Company's financial condition, results of operations and cash flows.

The Company's Global Operations Increase Its Exposure to Risks Unique to International Mining and Trading Operations

The Company's international platform increases its exposure to country risks and the effects of changes in currency exchange rates. Some of the Company's international activities are in developing countries where the economic strength, business practices and counterparty reputations may not be as well developed as in its U.S. or Australian Mining Operations. The Company is exposed to various political risks, including political instability, the potential for expropriation of assets, costs associated with the repatriation of earnings and the Company's potential for unexpected changes in regulatory requirements. Despite its efforts to mitigate these risks, the New Company's results of operations, financial position or cash flow could be adversely affected by these activities.

Joint Ventures, Partnerships or Non-Managed Operations May Not Be Successful and May Not Comply with the New Company's Operating Standards

The Company participates in several joint venture and partnership arrangements and may enter into others, all of which necessarily involve risk. Whether or not the New Company holds majority interests or maintains operational control in its joint ventures, its partners may, among other things: (1) have economic or business interests or goals that are inconsistent with, or opposed to, the New Company's economic or business interests or goals; (2) seek to block actions that the New Company believes are in the New Company's or the joint venture's best interests; or (3) be unable or unwilling to fulfill their obligations under the joint venture or other agreements, such as contributing capital, each of which may adversely impact the New Company's results of operations and its liquidity or impair its ability to recover their investments.

Where its joint ventures are jointly controlled or not managed by the New Company, the New Company may provide expertise and advice but have limited control over compliance with its operational standards. The Company also utilizes, and the New Company expects to utilize, contractors across its mining platform, and may be similarly limited in its ability to control the contractors' operational practices. Failure by non-controlled joint venture partners or contractors to adhere to operational standards that are equivalent to the New Company's could unfavorably affect operating costs and productivity and adversely impact the New Company's results of operations.

The New Company May Undertake Further Repositioning Plans that Would Require Additional Charges

As a result of the New Company's continuing review of its business, the New Company may choose post-emergence to further reduce its workforce and close additional offices in the future. These actions may result in further restructuring charges and cash expenditures and the consumption of management resources, any of which could cause the New Company's operating results to decline and may fail to yield the expected benefits.

The New Company Could Be Exposed to Significant Liability, Loss of Revenue, Increased Costs or Other Risks if It Sustains Cyber Attacks or Other Security Breaches That Disrupt Its Operations or Result in the Dissemination of Proprietary or Confidential Information About the Company or the New Company, Customers or Other Third-Parties

The Company has implemented security protocols and systems with the intent of maintaining the physical security of its operations and protecting its and its counterparties' confidential information and information related to identifiable individuals against unauthorized access. Despite such efforts, the New Company may be subject to security breaches which could result in unauthorized access to its facilities or the information it is trying to protect. Unauthorized physical access to one of its facilities or electronic access to its information systems could result in, among other things, unfavorable publicity, litigation by affected parties, damage to sources of competitive advantage, disruptions to its operations, loss of customers, financial obligations for damages related to the theft or misuse of such information and costs to remediate such security vulnerabilities, any of which could have a substantial impact on its results of operations, financial condition or cash flows.

C. Risks Related to Reorganized PEC Common Stock and Preferred Equity

Holders of Reorganized PEC Common Stock and Preferred Equity May Not be Able to Recover in Future Cases of Bankruptcy, Liquidation or Reorganization

On the Effective Date, Reorganized PEC Common Stock and Preferred Equity will be distributed pursuant to the Plan, including in certain instances to the holders of Allowed Claims in Classes 2B and 5B that previously held debt instruments or other unsecured claims. Upon implementation of the Plan, each holder of Reorganized PEC Common Stock or Preferred Equity will become subordinated to all liabilities of Reorganized PEC, and the holders of Reorganized PEC Common Stock will be subordinated to the Preferred Equity to the extent of the Preferred Equity's liquidation preference. Therefore, the assets of Reorganized PEC would not be available for distribution to any holder of Reorganized PEC Common Stock and/or Preferred Equity in any bankruptcy,

liquidation or reorganization of Reorganized PEC unless and until all indebtedness of Reorganized PEC has been paid.

There Is No Established Market for Shares of Reorganized PEC Common Stock or Preferred Equity, Which Means There Are Uncertainties Regarding the Prices and Terms on Which Holders Could Dispose of Their Shares, if at All

No established market exists for the Reorganized PEC Common Stock or Preferred Equity. The Company will use its best efforts to cause the Reorganized PEC Common Stock and Preferred Equity to be listed for trading on the NYSE as soon as practicable following the Effective Date. However, the Company cannot predict whether the NYSE will approve the Reorganized PEC Common Stock or Preferred Equity for listing or when any such listing will occur. There can be no assurance that the Reorganized PEC Common Stock or Preferred Equity will be listed on the NYSE or any other national exchange or interdealer quotation system or that Reorganized PEC will continue to meet the requirements for listing once a listing has been approved. If the Reorganized PEC Common Stock or Preferred Equity is not listed on a national exchange or interdealer quotation system, the New Company intends to cooperate with any registered broker-dealer who may seek to initiate price quotations for the Reorganized PEC Common Stock or Preferred Equity in the over-the-counter market. Again, however, no assurance can be given that such securities will be quoted on the over-the-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 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 Preferred Equity. Accordingly, the Company and the New Company cannot make any assurance that future dividends will be paid or future repurchases will be made.

Holders of Preferred Equity May Be Subject to U.S. Federal Income or Withholding Tax in Certain Circumstances

For U.S. federal income tax purposes, 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. 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 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 holder of Preferred Equity receives (or is deemed to receive) additional stock, even though the Preferred Equity holder would not have received any cash from the transaction. See the discussion of constructive distributions for U.S. federal income tax purposes in Section XIII.C.5. below.

For holders of Preferred Equity that are Non-U.S. Holders (as defined in Section XIII.E. below), constructive distributions may be subject to U.S. federal withholding tax at a 30% rate (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), which tax may be withheld by or on behalf of Reorganized PEC from other payments due to such holders or required to be funded by such holders. Reorganized PEC may also take other measures to obtain cash to satisfy its withholding requirements with respect to such constructive distributions, including by retaining, selling or liquidating property of the applicable holders held in its custody or over which it has control. Such holders would not be entitled to receive any additional amounts in respect of any amounts withheld or required to be withheld. See the discussion of withholding on constructive distributions in Section XIII.E.2. below.

The Replacement Secured First Lien Term Loan, Additional First Lien Debt, and/or New Second Lien Notes May Be Issued with Original Issue Discount for U.S. Federal Income Tax Purposes

The Replacement Secured First Lien Term Loan, the Additional First Lien Debt, and/or the New Second Lien Notes, to the extent issued under the Plan, may be issued with original issue discount ("OID") for U.S. federal income tax purposes if the issue price of such debt instruments is less than the stated redemption price at maturity of such debt instrument by more than a statutory de minimis amount. If the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes are issued with OID, then a U.S. Holder (as defined at Section XIII.C. below) generally would be required to include such OID in gross income (as ordinary interest income) on an annual basis under a constant yield to maturity method, regardless of its method of accounting for U.S. federal income tax purposes or the fact that the cash payments attributable to that income generally would not be received until a subsequent taxable year. Under this method, a U.S. Holder (as defined at Section XIII.C. below) generally would be required to include in income increasingly greater amounts of OID in successive accrual periods. See the discussion of OID with respect to debt instruments issued pursuant to the Plan in Section XIII.C.7. below.

XIII.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN

A. General

A DESCRIPTION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT AND ALL SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION COULD CAUSE THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN IMPORTANT RESPECTS, UNCERTAIN. NO RULING HAS BEEN REQUESTED FROM THE IRS; NO OPINION HAS BEEN REQUESTED FROM DEBTORS' COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THE DESCRIPTION THAT FOLLOWS DOES NOT COVER ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX EXEMPT ORGANIZATIONS, PARTNERSHIPS OR PARTNERS IN PARTNERSHIPS, NOR DOES IT ADDRESS TAX CONSEQUENCES TO HOLDERS OF INTERESTS IN THE DEBTORS OR TO HOLDERS OF CLAIMS NOT ENTITLED TO VOTE ON THE PLAN. THE DESCRIPTION DOES NOT ADDRESS TAX CONSEQUENCES TO DEBTORS ORGANIZED OUTSIDE OF THE UNITED STATES OR TO HOLDERS OF CLAIMS AGAINST SUCH DEBTORS. THE DESCRIPTION ALSO DOES NOT DISCUSS STATE, LOCAL, NON-U.S. OR NON-INCOME TAX CONSEQUENCES.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to the U.S. Debtors

1. Recapitalization of PEC

The Debtors generally would not recognize taxable gain or loss on the cancellation of all outstanding PEC common stock and the issuance by Reorganized PEC of Reorganized PEC Common Stock, debt instruments and other property in exchange for Allowed Claims (the "Recapitalization"). The NOLs and other tax attributes of the Debtors generally would carry over to the applicable Reorganized Debtors to the extent provided in the Internal Revenue Code and the U.S. Treasury ("Treasury") regulations following the Recapitalization, subject to certain reductions, restrictions and limitations, including those described below in the discussions regarding cancellation of debt income, the limitation on the utilization of NOLs and other tax attributes, and the alternative minimum tax.

Other U.S. federal income tax consequences to the Debtors may result depending on the terms of any additional Restructuring Transactions that occur with respect to the Debtors.

2. Cancellation of Debt Income

Generally, the discharge of a debt obligation of a debtor for an amount less than the adjusted issue price (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments) creates

cancellation of indebtedness ("COD") income that must be included in the debtor's income. The amount of the Debtors' COD income is dependent upon the value of the Plan consideration distributed on account of the Allowed Claims against the Debtors relative to the amount of such Allowed Claims (or adjusted issue price if different from the amount of the Allowed Claims), as well as the extent to which those Allowed Claims constitute debt for U.S. federal income tax purposes and the extent to which the payment of such Allowed Claims would be deductible for such purposes. However, COD income is excluded from taxable income by a taxpayer that is a debtor in a reorganization case if the discharge is granted by the bankruptcy court or pursuant to a plan of reorganization approved by a bankruptcy court. The Plan, if approved, would enable the Debtors to qualify for this bankruptcy exclusion rule with respect to any COD income triggered by the Plan.

If debt of a Debtor is discharged in a reorganization case qualifying for the bankruptcy exclusion, however, certain income tax attributes otherwise available and of value to the debtor are reduced, in most cases by the amount of the COD income. Tax attributes subject to reduction include, in the following order: (a) NOLs and NOL carryforwards; (b) most credit carryforwards, including the general business credit and the minimum tax credit; (c) capital losses and capital loss carryforwards; (d) the tax basis of the debtor's assets, but not in an amount greater than the excess of the aggregate tax bases of the property held by the debtor immediately after the discharge over the aggregate amount of the debtor's liabilities immediately after the discharge (the "Liability Stop"); and (e) foreign tax credit carryforwards. A Debtor may elect to avoid the prescribed order of attribute reduction and instead reduce the basis of depreciable property first (in which case the Liability Stop would not apply).

In the case of affiliated corporations filing a consolidated return, such as PEC and its consolidated U.S subsidiaries that are taxed as corporations (the "PEC Loss Group"), the attribute reduction rules apply first to the separate attributes of or attributable to the particular corporation whose debt is being discharged, and then, if necessary, to certain attributes of other members of the group. Accordingly, COD income of a debtor would result first in the reduction of any NOLs and other attributes, including asset basis, of or attributable to such debtor, and then, potentially, of consolidated NOLs and/or basis of or attributable to other members of the consolidated group. Attribute reduction does not occur until immediately after the close of the taxable year in which the debt discharge occurs, i.e., after use of any such NOLs and other attributes to determine the consolidated group's taxable income for the taxable year in which the debt is discharged.

The PEC Loss Group is expected to recognize a significant amount of COD income in connection with the implementation of the Plan. No determination has yet been made whether the Reorganized Debtors would elect to first reduce tax basis in their depreciable property or to first reduce NOLs. At this time, regardless of whether Reorganized Debtors make this election, no assurance can be given that the Reorganized Debtors' consolidated group would have NOLs or other tax attributes remaining after reduction for COD income.

3. Limitation on Utilization of NOLs and Other Tax Attributes

a. **General**

The Debtors have generated NOLs through the taxable year ending December 31, 2015. The Debtors expect to incur substantial additional NOLs through the Effective Date.

Section 382 of the Internal Revenue Code provides rules limiting the utilization of a corporation's NOLs to offset income following a more than 50% change in ownership of the corporation's equity (an "Ownership Change"). Section 383 of the Internal Revenue Code (by reference to section 382) similarly limits the income against which capital losses, general business credits, minimum tax credits and foreign tax credits may be applied after an ownership change. It is expected that the PEC Loss Group will undergo an Ownership Change in connection with the Plan. Section 382(l)(6) of the Internal Revenue Code sets forth the limitation provisions applicable to a corporation that undergoes an Ownership Change in bankruptcy if the Ownership Change does not meet the requirements of, or for which the corporation elects out of, the Bankruptcy Exception (as defined below). Therefore, unless the Bankruptcy Exception applies to the Recapitalization, the Reorganized PEC Loss Group's utilization of any NOLs and other tax attributes of the PEC Loss Group after the Effective Date (reduced for COD in accordance with the rules described in Section XIII.B.2. herein) after the Effective Date would be limited by section 382(l)(6) of the Internal Revenue Code. Under section 382(l)(6), the amount of post-Ownership Change annual taxable income of the Reorganized PEC Loss Group that can be offset by the pre-Ownership Change NOLs and other tax attributes

of the PEC Loss Group generally cannot exceed an amount equal to the product of (a) the applicable federal long-term tax-exempt rate in effect on the date of the ownership change (*e.g.*, 2.04% for an ownership change occurring in January 2017) and (b) the fair market value of Reorganized PEC Common Stock immediately after implementation of the Plan (the "Annual Limitation"). The fair market value of Reorganized PEC Common Stock for purposes of this computation would reflect the increase, if any, in value resulting from any surrender or cancellation of any Claims in the Chapter 11 Cases.

The Annual Limitation may be increased if the Debtors have a net unrealized built-in gain at the time of an Ownership Change. If, however, the Debtors have a net unrealized built-in loss at the time of an Ownership Change, the Annual Limitation may apply to such net unrealized built-in loss.

Any unused Annual Limitation may be carried forward, thereby increasing the Annual Limitation in the subsequent taxable year. However, if Reorganized PEC and its subsidiaries do not continue the Debtors' historic business or use a significant portion of their assets in a new business for two years after the ownership change (the "Business Continuity Requirement"), the Annual Limitation resulting from the ownership change would be zero.

It is possible that not all of the Debtors' tax losses will be subject to the Annual Limitation. For example, if the Debtors recognize a tax loss in the taxable year in which the Effective Date occurs (*e.g.*, for one or more worthlessness deductions or otherwise), the portion of any such loss allocated ratably to the post-Effective Date portion of such taxable year (based upon the number of days in the pre- versus post-Effective Date portions) may not be subject to the Annual Limitation. To the extent that any such loss would not be limited by the Annual Limitation, it may be available (after taking into account any reduction for COD income in accordance with the rules described in Section XIII.B.2. herein) to offset post-Effective Date taxable income.

b. **Bankruptcy Exception**

Section 382(l)(5) of the Internal Revenue Code (the "Bankruptcy Exception") provides that the Annual Limitation does not apply to limit the utilization of a debtor's NOLs or other tax attributes if the debtor stock owned by those persons that were stockholders of the debtor immediately before the ownership change, together with the stock received by certain holders of claims pursuant to the debtor's plan, comprise 50% or more of the value of all of the debtor's stock outstanding immediately after the ownership change. Stock received by holders is included in the 50% calculation if, and to the extent that, such holders constitute "qualified creditors." A "qualified creditor" is a holder of a claim that (i) was held by such holder since the date that is 18 months before the date on which the debtor first filed its petition with the bankruptcy court or (ii) arose in the ordinary course of business and is held by the person that at all times held the beneficial interest in such claim. In determining whether the Bankruptcy Exception applies, certain holders of claims that would own a *de minimis* amount of the debtor's stock pursuant to the debtor's plan are presumed to have held their claims since the origination of such claims. In general, this *de minimis* rule applies to holders of claims who would own directly or indirectly less than 5% of the total fair market value of the debtor's stock pursuant to the plan. The application of this rule to the PEC Loss Group is uncertain.

If the Bankruptcy Exception applies, a subsequent Ownership Change with respect to the PEC Loss Group occurring within two years after the Effective Date would result in the reduction of the Annual Limitation to zero. Thus, an Ownership Change within two years after the Effective Date would eliminate the ability of the Reorganized PEC Loss Group to use pre-Ownership Change NOLs and other tax attributes. If the Bankruptcy Exception applies, the Business Continuity Requirement would not apply, although a lesser business continuation requirement may apply under Treasury regulations. If an Ownership Change occurs after the two years following the Effective Date, then the Reorganized PEC Loss Group would become subject to limitation in the use of its NOLs and other tax attributes based upon the value of the Reorganized PEC Loss Group at the time of that subsequent change.

Although the Annual Limitation would not restrict the utilization of NOLs and other tax attributes if the Bankruptcy Exception applies, NOLs of the PEC Loss Group would be reduced by the amount of any deduction for any interest paid or accrued, with respect to all Allowed Claims converted into Reorganized PEC Common Stock, by the Debtors during the three taxable years preceding the taxable year in which the Ownership Change occurs and during the portion of the taxable year of the ownership change preceding the Ownership Change.

The Debtors have not yet determined whether the PEC Loss Group would be eligible for the Bankruptcy Exception. Even if the Bankruptcy Exception would otherwise apply, the Reorganized Debtors may elect not to have the Bankruptcy Exception apply, in which event the Annual Limitation would apply. The Reorganized PEC Loss Group has until the due date of the tax return for the taxable year in which the Effective Date occurs to make such a determination.

4. Alternative Minimum Tax

In general, a federal alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent that such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation might otherwise be able to offset all of its taxable income for regular federal income tax purposes by available NOL carryforwards, a corporation is generally entitled to offset no more than 90% of its AMTI with NOL carryforwards (as recomputed for AMT purposes). Accordingly, usage of the Debtors' NOLs by the Reorganized Debtors may be subject to limitations for AMT purposes in addition to any other limitations that may apply.

If a corporation (or a consolidated group) undergoes an ownership change and is in a net unrealized built-in loss position on the date of the ownership change, the corporation's (or group's) aggregate tax basis in its assets may be reduced for certain AMT purposes to reflect the fair market value of such assets as of the ownership change date.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

5. Applicable High Yield Discount Obligations

In general, an applicable high yield discount obligation ("AHYDO") is any debt instrument with "significant original issue discount," a maturity date that is more than five years from the issue date, and a yield to maturity that is at least five percentage points higher than the applicable federal rate on its issue date. If a debt instrument is treated as an AHYDO, the issuer may permanently be denied a deduction for a portion of the original issue discount on such instrument and may claim an interest deduction as to the remainder of the original issue discount only when such portion is paid as cash. The AHYDO rules may be avoided if there is no significant original issue discount at the end of each accrual period after the fifth anniversary of the original issuance of the debt instrument. To the extent that any of the Reorganized Debtors' debt instruments meet the definition of an AHYDO, interest deductions on such debt may be at risk. Such risk may be mitigated by including a customary AHYDO savings clause requiring that the Reorganized Debtors pay at the end of each accrual period ending after the fifth anniversary of the issuance date the minimum amount of principal plus accrued interest on such debt necessary to prevent any of the accrued and unpaid interest and original issue discount on such debt from being limited as a deduction under the AHYDO rules. Although no assurance can be given, the Reorganized Debtors will seek to include AHYDO savings clauses in their debt instruments that could be AHYDOs (including, for example, the New Second Lien Notes).

C. U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Claims

For purposes of this discussion, a "U.S. Holder" is a holder of an Allowed Claim that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (a) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (b) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person. The discussion below assumes that the U.S. Holders of Allowed Claims against any Debtor are treated as receiving property from that Debtor in satisfaction of their Allowed Claims, and the Debtors intend to treat distributions under the Plan as such.

The U.S. federal income tax consequences of the Plan to a U.S. Holder of an Allowed Claim depends, in part, on the tax characterization of the exchanges of an Allowed Claim for other property, whether the Allowed Claim constitutes a "security" for U.S. federal income tax purposes (a "tax security"), what type of consideration was received in exchange for an Allowed Claim, whether the U.S. Holder reports income on the accrual or cash basis, whether the U.S. Holder has taken a bad debt deduction or worthless security deduction with respect to an Allowed Claim, and whether the U.S. Holder receives distributions under the Plan in more than one of its taxable years.

1. Definition of Securities

There is no precise definition of the term "security" under the U.S. federal income tax laws. Rather, all facts and circumstances pertaining to the origin and character of a claim are relevant in determining whether it is a tax security. Nevertheless, courts generally have held that a debt instrument having a term of less than five years will not be considered a tax security, while corporate debt evidenced by a written instrument and having an original maturity of 10 years or more will be considered a tax security.

Whether a debt instrument with an original term of between five and 10 years should be characterized as a security is not entirely clear and generally depends on the facts and circumstances, including the creditworthiness of the issuer, whether the debt instrument is subordinated to other creditors, whether a holder has the right to vote or otherwise participate in the issuer's management, whether the debt instrument is convertible into an equity interest in the issuer, and whether interest payments are fixed or contingent.

The Debtors expect the 2020 Senior Notes (which have a term of 10 years), the 2021 Senior Notes (which have a term of 10 years), the 2026 Senior Notes (which have a term of 20 years) and the 2066 Unsecured Subordinated Debentures (which have a term of 60 years) to be considered tax securities. The remainder of this discussion therefore assumes that such Notes constitute tax securities. Although not free from doubt, the Debtors expect the 2018 Senior Notes, the Term Loan Facility and the Second Lien Notes (each of which have a term of seven years) to be considered tax securities. It is uncertain whether the Revolving Credit Facility (which has a term of five years) would be considered a tax security. Further, the discussion below assumes that any General Unsecured Claims not on account of Unsecured Senior Notes are not tax securities.

2. Tax Treatment of Certain Exchanges under the Plan

The exchange of a U.S. Holder's Allowed Claim for the Replacement Secured First Lien Term Loan, Additional First Lien Debt, and/or New Second Lien Notes will be an exchange for U.S. federal income tax purposes, with the consequences described below.

a. **U.S. Holders of First Lien Lender Claims**

Under the Plan, holders of First Lien Lender Claims would receive cash and potentially a portion of the Replacement Secured First Lien Term Loan in exchange for such Claims.

It is uncertain whether the Replacement Secured First Lien Term Loan, which under the Plan would have a term of five years if issued, would be considered a tax security. If the Replacement Secured First Lien Term Loan is not considered a tax security, a U.S. Holder of First Lien Lender Claims would recognize gain or loss in an amount equal to the difference between (a) the issue price of the Replacement Secured First Lien Term Loan (if any) and cash received, and (b) the U.S. Holder's adjusted tax basis in the First Lien Lender Claims. In addition, to the extent any portion of a U.S. Holder's recovery is allocable to accrued and unpaid interest on the U.S. Holder's First Lien Lender Claims, such portion would be treated as interest income to such U.S. Holder. See Section XIII.D.2. below for a discussion of the allocation of recoveries first to principal and then to interest.

Any gain or loss recognized would be capital or ordinary, depending on the status of the First Lien Lender Claims in the U.S. Holder's hands. Generally, any gain or loss recognized by the U.S. Holder would be long term capital gain or loss if the First Lien Lender Claims are a capital asset in the hands of the U.S. Holder and the U.S. Holder has held such Claims (or the underlying debts) for more than one year. However, the U.S. Holder would not

recognize long-term capital gain or loss to the extent that the U.S. Holder has previously claimed a bad debt deduction with respect to such Claims, to the extent that the U.S. Holder has previously accrued market discount with respect to such Claims (or the underlying debts), or to the extent any portion of a U.S. Holder's recovery is allocable to accrued and unpaid interest. See Section XIII.D.2. below for a discussion of the character of any gain recognized in respect of a Claim with accrued market discount. The deductibility of capital losses is also subject to limitations.

Still assuming that the Replacement Secured First Lien Term Loan is not considered a tax security, a U.S. Holder's basis in a portion of the Replacement Secured First Lien Term Loan received would be equal to its issue price. See Section XIII.C.7. below for a discussion of determining the issue price of the Replacement Secured First Lien Term Loan. The U.S. Holder's holding period for such Loan would begin on the day after the day of receipt.

If, however, the Replacement Secured First Lien Term Loan is considered a tax security, then the tax treatment of a U.S. Holder of a First Lien Lender Claim would depend upon whether such First Lien Lender Claim is a tax security. As discussed above, although not free from doubt, the Debtors expect First Lien Lender Claims in respect of the Term Loan Facility to be tax securities, but it is uncertain whether First Lien Lender Claims in respect of the Revolving Credit Facility are tax securities. If a U.S. Holder exchanges a First Lien Lender Claim that is not considered a tax security for a portion of the Replacement Secured First Lien Term Loan, the consequences are the same as the consequences described previously in this section, even if the Replacement Secured First Lien Term Loan is considered a tax security.

If, however, a U.S. Holder exchanges a First Lien Lender Claim that is considered a tax security for a portion of the Replacement Secured First Lien Term Loan and the Replacement Secured First Lien Term Loan is also considered a tax security, then the exchange of such First Lien Lender Claim for a portion of the Replacement Secured First Lien Term Loan would be treated as part of a "reorganization" for U.S. federal income tax purposes. As part of such a "reorganization," the U.S. Holder would generally recognize gain (but not loss) on the exchange in an amount equal to the lesser of (a) the amount of gain realized by the U.S. Holder on the exchange (if any) and (b) the taxable "boot" (the amount of any cash paid to the U.S. Holder). The amount of gain realized by a U.S. Holder on the exchange should be equal to the positive difference, if any, between (i) the sum of the amount of cash and/or the fair market value of the portion of the Replacement Secured First Lien Term Loan received in the exchange and (ii) the U.S. Holder's adjusted basis in the First Lien Lender Claims surrendered in the exchange. The character of any gain or loss recognized by U.S. Holders pursuant to the immediately preceding sentence would be determined in the way described previously in this section. The tax basis in the portion of the Replacement Secured First Lien Term Loan received in exchange for a U.S. Holder's First Lien Lender Claim would equal the U.S. Holder's basis in such Claim surrendered (or the underlying debts), decreased by the amount of taxable boot received and increased by the amount of any gain recognized. However, any portion of the Replacement Secured First Lien Term Loan attributable to accrued interest would have a tax basis equal to its issue price.

Still assuming that the exchange is a "reorganization" as described in the immediately preceding paragraph, the holding period for the Replacement Secured First Lien Term Loan (apart from any portion allocable to interest) would include the U.S. Holder's holding period in the First Lien Lender Claims (or the underlying debts). A U.S. Holder's holding period for the portion of the Replacement Secured First Lien Term Loan attributable to accrued interest, if any, as applicable, would begin on the day after the day of receipt.

b. **U.S. Holders of Second Lien Notes Secured Claims**

Under the Plan, U.S. Holders of Second Lien Notes Secured Claims would receive (a) Reorganized PEC Common Stock, (b) Rights Offering Equity Rights (and potentially, rights to participate in the Private Placement) (collectively, the "Subscription Rights") and (c) cash, Additional First Lien Debt and/or New Second Lien Notes in exchange for such Claims.

The Second Lien Notes have a term of seven years. As described above, although not free from doubt, the Debtors expect the Second Lien Notes Secured Claims to be considered tax securities. Accordingly, assuming the Second Lien Notes Secured Claims are tax securities, the exchange of such Claims for Reorganized PEC Common Stock and Subscription Rights would be treated as part of a "reorganization" for U.S. federal income tax purposes. As part of such a "reorganization," the U.S. Holder should generally recognize gain (but not loss) on the

exchange in an amount equal to the lesser of (a) the amount of gain realized by the U.S. Holder on the exchange (if any) and (b) the taxable "boot" (the sum of (i) the amount of any cash paid to the U.S. Holder and (ii) if the Additional First Lien Debt and/or New Second Lien Notes are not tax securities (discussed below), the issue price of such Additional First Lien Debt and/or New Second Lien Notes, as applicable), received pursuant to the Plan. The amount of gain realized by a U.S. Holder on the exchange should be equal to the positive difference, if any, between (i) the sum of the amount of cash, the respective fair market values of the Reorganized PEC Common Stock and Subscription Rights, and the respective "issue prices" of the Additional First Lien Debt and/or New Second Lien Notes, received in the exchange and (ii) the U.S. Holder's adjusted basis in the Second Lien Notes Secured Claims surrendered in the exchange.

It is uncertain whether the New Second Lien Notes, which under the Plan would have a term of six years if issued, or the Additional First Lien Debt, which under the Plan would have a term of five years if issued, would be tax securities. Assuming the New Second Lien Notes and/or Additional First Lien Debt are tax securities, then they would be treated as part of the "reorganization" as described above and a U.S. Holder generally would not recognize gain or loss on the receipt of such debt (except to the extent, if any, that the principal amount of the New Second Lien Notes and/or Additional First Lien Debt received exceeds the principal amount of the Second Lien Notes Secured Claims exchanged for the New Second Lien Notes (and/or Additional First Lien Debt). If, however, the New Second Lien Notes and/or Additional First Lien Debt) are not tax securities, then such New Second Lien Notes and/or Additional First Lien Debt received by a U.S. Holder pursuant to the Plan would constitute taxable "boot" as described above in an amount equal to the issue price of such New Second Lien Notes and/or Additional First Lien Debt received.

The character of any gain or loss recognized by U.S. Holders of Second Lien Notes Secured Claims would be determined in the way described above for U.S. Holders of First Lien Lender Claims. The aggregate tax basis in the Reorganized PEC Common Stock and the Subscription Rights (as well as the New Second Lien Notes and/or Additional First Lien Debt, if such debt are tax securities) received in exchange for a U.S. Holder's Second Lien Notes Secured Claims would equal the U.S. Holder's basis in such Claims surrendered (or the underlying debts), decreased by the amount of taxable boot received and increased by the amount of any gain recognized. The U.S. Holder's aggregate tax basis must be allocated among the Reorganized PEC Common Stock and the Subscription Rights (as well as the New Second Lien Notes and/or Additional First Lien Debt, if such debt are tax securities) proportionately according to their respective fair market values or issue prices, as applicable. However, any portion of the Reorganized PEC Common Stock or Subscription Rights (as well as the New Second Lien Notes and/or Additional First Lien Debt, if such debt are tax securities) attributable to accrued interest would have a tax basis equal to their fair market value or issue price, as applicable. If the New Second Lien Notes and/or Additional First Lien Debt are not tax securities, a U.S. Holder's basis in such New Second Lien Notes and/or Additional First Lien Debt would be equal to their issue price(s).

The holding period for the Reorganized PEC Common Stock and the Subscription Rights (as well as the New Second Lien Notes and/or Additional First Lien Debt, if such debt are tax securities) (apart from any portion allocable to interest) would include the U.S. Holder's holding period in the Second Lien Notes Secured Claims (or the underlying debts). If the New Second Lien Notes and.or Additional First Lien Debt are tax securities, a U.S. Holder's holding period for the portion of such Additional First Lien Debt and/or the New Second Lien Notes attributable to accrued interest, if any, as applicable, would begin on the day after the day of receipt. If the New Second Lien Notes and/or Additional First Lien Debt are not tax securities, U.S. Holder's holding period for such New Second Lien Notes and/or Additional First Lien Debt would begin on the day after the day of receipt.

The foregoing discussion assumes that the Second Lien Notes Secured Claims are tax securities. If, however, the Second Lien Notes Secured Claims are not tax securities, 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 Reorganized PEC Common Stock, Subscription Rights, the amount of cash and the issue price of the Additional First Lien Debt and/or the New Second Lien Notes received, and (b) the U.S. Holder's adjusted tax basis in such Claims. The U.S. Holder's basis in the Reorganized PEC Common Stock and the Subscription Rights and the Additional First Lien Debt and/or the New Second Lien Notes received would be equal to their respective fair market values or issue prices, as applicable. See Section XIII.C.7. below for a discussion on determining the issue price of the Additional First Lien Debt and/or the New Second Lien Notes. Also see Section XIII.C.5. for further discussion of the Subscription Rights that may impact their value. The character of any gain or loss recognized by

U.S. Holders of Second Lien Notes Secured Claims would be determined in the way described above for U.S. Holders of First Lien Lender Claims. The U.S. Holder's holding period for such Reorganized PEC Common Stock and Subscription Rights and Additional First Lien Debt and/or the New Second Lien Notes would begin on the day after the day of receipt.

c. **U.S. Holders of General Unsecured Claims**

Under the Plan, U.S. Holders of General Unsecured Claims:

- against the Encumbered Guarantor Debtors would receive at their option, either (i)(a) Reorganized PEC Common Stock and (b) Subscription Rights or, (ii) cash;
- against PEC and the Unencumbered Guarantor Debtors would receive cash; and
- against the Gold Fields Debtors would receive Gold Fields Liquidating Trust Units.

With respect to a U.S. Holder of any General Unsecured Claims on account of the 2020 Senior Notes, the 2021 Senior Notes or the 2026 Senior Notes, the exchange of such Notes for Reorganized PEC Common Stock and Subscription Rights would be treated as part of a "reorganization" for U.S. federal income tax purposes and would not result in the recognition of gain or loss by such U.S. Holder. However, as part of such a "reorganization," the U.S. Holder should generally recognize gain (but not loss) on the exchange in an amount equal to the lesser of (a) the amount of gain realized by the U.S. Holder on the exchange (if any) and (b) any taxable "boot," which is the sum of (i) any cash received by the U.S. Holder and (ii) the fair market value of any Gold Fields Liquidating Trust Units received pursuant to the Plan. The amount of gain realized by a U.S. Holder on the exchange should be equal to the positive difference, if any, between (i) the sum of any cash received by the U.S. Holder, the fair market value of any Gold Fields Liquidating Trust Units received, and the respective fair market values of the Reorganized PEC Common Stock and Subscription Rights received in the exchange and (ii) the U.S. Holder's adjusted basis in the Notes surrendered in the exchange. See Section XIII.C.4. for further discussion of the Subscription Rights that may impact their value. The character of any gain or loss recognized by U.S. Holders of General Unsecured Claims would be determined in the way described above for U.S. Holders of First Lien Lender Claims.

The aggregate tax basis in the Reorganized PEC Common Stock and the Subscription Rights received in exchange for a U.S. Holder's 2020 Senior Notes, 2021 Senior Notes and/or 2026 Senior Notes would equal the U.S. Holder's basis in such Notes, decreased by the amount of taxable boot received and increased by the amount of any gain recognized. The U.S. Holder's aggregate tax basis would be allocated among the Reorganized PEC Common Stock and Subscription Rights proportionately according to their respective fair market values. However, any portion of the Reorganized PEC Common Stock and Subscription Rights attributable to accrued interest would have a tax basis equal to their respective fair market values, as applicable. The holding period for the Reorganized PEC Common Stock and the Subscription Rights (apart from any portion allocable to interest) would include the U.S. Holder's holding period for the 2020 Senior Notes, the 2021 Senior Notes and/or the 2026 Senior Notes, as applicable. A U.S. Holder's holding period for the Reorganized PEC Common Stock and the Subscription Rights attributable to accrued interest, if any, would begin on the day after the day of receipt.

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. **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 value and that 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.

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, or capital gain as described in Section XIII.C.3. above, even though the U.S. Holder would not have received any cash from the transaction.

A U.S. Holder generally would not recognize any gain or loss on the conversion, whether mandatory or otherwise, of the Preferred Equity into Reorganized PEC Common Stock. The U.S. Holder's tax basis in the Reorganized PEC Common Stock received on conversion generally would equal the tax basis of the Preferred Equity converted, and the U.S. Holder's holding period for such Reorganized PEC Common Stock would include the holding period for the Preferred Equity converted.

If Reorganized PEC elects to redeem shares of Preferred Equity pursuant to the terms of the Preferred Equity in cash, such redemption would be treated as a distribution taxable as a dividend to U.S. Holders of the Preferred Equity to the extent of the Reorganized Debtors' current or accumulated earnings and profits, unless it can be satisfactorily established that, for U.S. federal income tax purposes, (a) the redemption is "not essentially equivalent to a dividend," (b) the redemption results in a "complete termination" of the U.S. Holder's interest in the stock (both preferred and common) of Reorganized PEC; or (c) the redemption is "substantially disproportionate" with respect to the U.S. Holder. In any such case, the redemption would be treated as a sale or exchange that gives rise to capital gain or loss generally equal to the difference between (a) the amount of cash received by the U.S. Holder and (b) the U.S. Holder's tax basis in the Preferred Equity redeemed, subject to any limitations on such U.S. Holder's ability to deduct capital losses.

If Reorganized PEC elects to redeem shares of Preferred Equity pursuant to the terms of the Preferred Equity in Reorganized PEC Common Stock, the consequences will be the same as described above with respect to a conversion of Preferred Equity to Reorganized PEC Common Stock.

6. Penny Warrants

A U.S. Holder that receives Penny Warrants pursuant to its exercise of the Subscription Rights, or in exchange for its Unsecured Subordinated Debentures Claims, would likely be deemed for U.S. federal income tax purposes to own an amount of Reorganized PEC Common Stock corresponding to such Penny Warrants and would recognize no gain or loss upon exercise of such Warrants. The U.S. Holder's tax basis in the Reorganized PEC Common Stock acquired on exercise of the Penny Warrants would equal the sum of the exercise price paid for such stock and the U.S. Holder's tax basis in the Penny Warrants. The U.S. Holder's holding period for the Reorganized PEC Common Stock acquired would include the holding period of the Penny Warrants.

If a U.S. Holder disposes of the Penny Warrants, the U.S. Holder would recognize capital gain or loss in an amount equal to the difference between (a) the fair market value of the consideration received, and (b) the U.S. Holder's adjusted tax basis in such Penny Warrants. Although it is not free from doubt, a U.S. Holder that elects not to exercise such Warrants may be entitled to claim a capital loss equal to the adjusted basis of such Warrants, subject to any limitations on the U.S. Holder's ability to deduct capital losses.

7. Replacement Secured First Lien Term Loan, Additional First Lien Debt and New Second Lien Notes

The tax consequences of owning the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and the New Second Lien Notes, to the extent issued under the Plan, depend upon the precise terms of such debt instruments. Payments of stated interest constituting qualified stated interest (as defined below) on the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes generally would be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

The Replacement Secured First Lien Term Loan, the Additional First Lien Debt, and/or the New Second Lien Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes if the issue price of such debt instruments is less than the stated redemption price at maturity of such debt instrument by more than a statutory *de minimis* amount. The stated redemption price at maturity of a debt instrument is the aggregate amount of all payments due to a holder at or prior to its maturity, other than interest payments, or "qualified stated interest" that must, among other requirements, be actually and unconditionally payable at least annually. If interest on the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes is allowed or required to be capitalized rather than paid in cash, such interest would not be treated as qualified stated interest and all such interest payments would increase the stated redemption price at maturity of the Replacement Secured First Lien Term Loan, the Additional First Lien Debt or the New Second Lien Notes, as applicable. If the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes are issued with OID in an amount that exceeds the *de minimis* amount, then a U.S. Holder generally would be required to include such OID in gross income (as ordinary interest income) on an annual basis under a constant yield to maturity method, regardless of its method of accounting for U.S. federal income tax purposes or the fact that the cash payments attributable to that income generally would not be received until a subsequent taxable year. Under this method, a U.S. Holder generally would be required to include in income increasingly greater amounts of OID in successive accrual periods.

The issue price of the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes would depend on whether such debt or the Revolving Credit Facility, the Term Loan Facility or the Second Lien Notes, as applicable, are properly characterized as traded on an established market or "publicly traded" within the meaning of the applicable Treasury regulations. Under the applicable Treasury regulations, a debt instrument is considered to be publicly traded if (i) an executed sale of such debt instrument occurs within the 31-day period ending fifteen days after the issue date and the sales price is reasonably available within a reasonable period of time, after the sale, or (ii) at least one price quote (whether firm or indicative) is available within such 31-day period. The issue price of a debt instrument that is publicly traded or that is issued for another debt instrument that is publicly traded is generally the fair market value of the debt instrument or the other debt instrument, as the case may be, as determined by the trading price. The issue price of a debt instrument that is neither publicly traded nor issued for another debt instrument that is publicly traded is generally its stated principal amount. The Debtors do not yet know whether the Replacement Secured First Lien Term Loan, the Additional First

Lien Debt and/or the New Second Lien Notes would be properly characterized as "traded on an established market" in accordance with these rules. Currently, price quotes for the Revolving Credit Facility, the Term Loan Facility and the Second Lien Notes are available via Bloomberg. The Reorganized Debtors' determination of the issue price of the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and the New Second Lien Notes, which the Reorganized Debtors will make available to U.S. Holders, generally will be binding on a U.S. Holder, unless the U.S. Holder discloses a contrary position on its U.S. federal income tax return in accordance with the Treasury regulations.

The Reorganized Debtors' obligation to make certain contingent payments on the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes by reference to their excess cash flow or other events (for example, the "additional PIK interest" on the Replacement Secured First Lien Term Loan) may implicate the provisions of the Treasury regulations relating to "contingent payment debt instruments," which, if applicable, could cause the timing, amount and character of a U.S. Holder's income, gain or loss with respect to the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes to be different from the consequences discussed above. U.S. Holders are urged to consult their tax advisors regarding the potential application of the rules regarding contingent payment debt instruments and the consequences thereof to the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes. If the Reorganized Debtors determine that the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes are contingent payment debt instruments, the Reorganized Debtors will make available to U.S. Holders the Reorganized Debtors' determination of the "comparable yield" and the "projected payment schedule" of such instruments, which generally will be binding on a U.S. Holder, unless the U.S. Holder discloses a contrary position on its U.S. federal income tax return in accordance with the Treasury regulations.

8. Gold Fields Liquidating Trust Units

The Gold Fields Liquidating Trust is intended to be treated for U.S. federal income tax purposes in part as a liquidating trust described in section 301.7701-4(d) of the Treasury regulations (with income and gain on Gold Fields Liquidating Trust Assets taxed at the beneficial owner level on a flow-through basis, as more fully described below) and in part as one or more Disputed Claims reserves treated either as a discrete trust taxed pursuant to section 641 et seq. of the Internal Revenue Code or as a disputed ownership fund described in section 1.468B-9 of the Treasury regulations (with net income and gain on Gold Fields Liquidating Trust Assets taxed at the separate entity level of the Disputed Claims reserves). The remainder of this discussion assumes that this treatment is correct. It is possible that the IRS could require an alternative characterization of the Gold Fields Liquidating Trust, which could result in different (and possibly adverse) tax consequences to the Gold Fields Liquidating Trust and/or U.S. Holders of General Unsecured Claims against the Gold Fields Debtors.

Except to the extent of the Disputed Claims reserves, the Gold Fields Liquidating Trust would not be treated as a taxable entity for U.S. federal income tax purposes. Accordingly, the Debtors would be deemed to have distributed to the U.S. Holders of General Unsecured Claims against the Gold Fields Debtors an undivided interest in their Pro Rata shares of the Gold Fields Liquidating Trust Assets, subject to any liabilities of the Debtors assumed by the Gold Fields Liquidating Trust and any liabilities of the Gold Fields Liquidating Trust itself, and such U.S. Holders would be deemed to have contributed such assets (subject to such liabilities) to the Gold Fields Liquidating Trust in exchange for Gold Fields Liquidating Trust Units. U.S. Holders of General Unsecured Claims against the Gold Fields Debtors are not intended to be treated for U.S. federal income tax purposes as receiving Gold Fields Liquidating Trust Assets that are contributed to any Disputed Claims reserve until such time as such Disputed Claims reserve makes distributions, in which case (and at which time) the holders of such General Unsecured Claims would be treated as receiving the distributions actually received from such Disputed Claims reserve, if any.

For U.S. federal income tax purposes, each holder of a Gold Fields Liquidating Trust Unit would be treated as an owner of the Gold Fields Liquidating Trust and, thus, would be subject to tax on such holder's pro rata share of taxable income or gain (if any) of the Gold Fields Liquidating Trust, regardless of whether the corresponding cash proceeds are distributed to such holder. Accordingly, such holder would be required to include in its annual taxable income, and pay tax to the extent due on, its allocable share of each item of income, gain, loss, deduction or credit recognized by the Gold Fields Liquidating Trust (including interest or dividend income earned on bank accounts and other investments) and the Gold Fields Liquidating Trustee would allocate such items to the holders using any

reasonable allocation method. If the Gold Fields Liquidating Trust sells or otherwise disposes of a Gold Fields Liquidating Trust Asset in a transaction in which gain or loss is recognized, any holder of a Gold Fields Liquidating Trust Unit that is entitled to a distribution from such Gold Fields Liquidating Trust Asset (or the proceeds thereof) would be required to include in income gain or loss equal to the difference between (a) such holder's pro rata share of the cash or property received in exchange for the Gold Fields Liquidating Trust Asset sold or otherwise disposed of and (b) such holder's adjusted basis in its pro rata share of such Gold Fields Liquidating Trust Asset. The character and amount of any gain or loss would be determined by reference to the character of the asset sold or otherwise disposed of. Each holder of a Gold Fields Liquidating Trust Unit would be required to report any income or gain recognized on the sale or other disposition of a Gold Fields Liquidating Trust Asset whether or not the Gold Fields Liquidating Trust distributes the sale proceeds currently and may, as a result, incur a tax liability before such holder receives a distribution from the Gold Fields Liquidating Trust.

D. Certain Other Tax Considerations for U.S. Holders of Allowed Claims

1. Medicare Surtax

Subject to certain limitations and exceptions, U.S. Holders who are individuals, estates or trusts may be required to pay a 3.8% Medicare surtax on all or part of that U.S. Holder's "net investment income," which includes, among other items, dividends on stock and interest (including original issue discount) on debt, and capital gains from the sale or other taxable disposition of stock or debt. U.S. Holders should consult their own tax advisors regarding the effect, if any, of this surtax on their exchanges and on their ownership of Reorganized PEC Common Stock, Preferred Equity, Subscription Rights, Penny Warrants, the Replacement Secured First Lien Term Loan, Additional First Lien Debt, New Second Lien Notes and/or Gold Fields Liquidating Trust Units received pursuant to the Plan.

2. Accrued but Unpaid Interest

In general, a U.S. Holder that was not previously required to include in taxable income any accrued but unpaid interest on the U.S. Holder's Allowed Claim may be required to include such amount as taxable interest income upon receipt of a distribution under the Plan. A U.S. Holder that was previously required to include in taxable income any accrued but unpaid interest on the U.S. Holder's Allowed Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Plan. Although not entirely clear, such a loss may be treated as an ordinary loss rather than a capital loss. The Plan provides that, to the extent applicable, all distributions to a holder of an Allowed Claim would apply first to the principal amount of such Allowed Claim until such principal amount is paid in full and then to any accrued but unpaid interest on such Allowed Claim. There is no assurance, however, that the IRS would respect this treatment and would not determine that all or a portion of amounts distributed to such U.S. Holder and attributable to principal under the Plan is properly allocable to interest. Each U.S. Holder of a Claim on which interest has accrued is urged to consult its tax advisor regarding the tax treatment of distributions under the Plan and the deductibility of any accrued but unpaid interest for U.S. federal income tax purposes.

3. Post-Effective Date Distributions

Because certain U.S. Holders of Allowed Claims may receive distributions subsequent to the Effective Date, the imputed interest provisions of the Internal Revenue Code may apply and cause a portion of any post-Effective Date distribution to be treated as imputed interest, which may be included in the gross income of certain U.S. Holders. Additionally, to the extent a U.S. Holder receives distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the U.S. Holder may be deferred. U.S. Holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their Allowed Claims.

4. Possible Deductions in Respect of Claims

A U.S. Holder who, under the Plan, receives in respect of an Allowed Claim no distribution or, so long as the exchange is not deemed to be a "reorganization" for federal U.S. income tax purposes, an amount less than the U.S. Holder's tax basis in the Allowed Claim, may be entitled to a deduction for U.S. federal income tax purposes. The rules governing the character, timing and amount of such a deduction place considerable emphasis on the facts and circumstances of the U.S. Holder, the obligor and the instrument with respect to which a deduction would be claimed. U.S. Holders of Allowed Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

5. Market Discount

A U.S. Holder that purchased its Allowed Claim from a prior U.S. Holder with market discount is subject to the market discount rules of the Internal Revenue Code. Under those rules, assuming that the U.S. Holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of its Allowed Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Allowed Claim as of the date of the exchange.

To the extent that a U.S. Holder's Claim would be exchanged in a "reorganization" for U.S. federal income tax purposes, any accrued market discount not treated as ordinary income upon such exchange may carry over, on an allocable basis, to any Reorganized PEC Common Stock, Subscription Rights (and Penny Warrants, Reorganized PEC Common Stock and/or Preferred Equity acquired thereby) and Additional First Lien Debt and/or New Second Lien Notes (to the extent they are tax securities), such that any gain recognized by the U.S. Holder upon a subsequent disposition of such Reorganized PEC Common Stock, Subscription Rights (and Penny Warrants, Reorganized PEC Common Stock and/or Preferred Equity acquired thereby) and Additional First Lien Debt and/or New Second Lien Notes (to the extent they are tax securities) would be treated as ordinary income to the extent of any accrued market discount not previously included in income.

6. Information Reporting and Backup Withholding

All distributions under the Plan and on instruments received pursuant to the Plan are subject to applicable federal income tax reporting and withholding. The Internal Revenue Code imposes "backup withholding" (currently at a rate of 28%) on certain "reportable" payments to certain taxpayers, including payments of interest (including OID) on the Replacement Secured First Lien Term Loan, the Additional First Lien Debt and the New Second Lien Notes, as applicable, and dividends (possibly including constructive dividends) on Reorganized PEC Common Stock and Preferred Equity. Under the Internal Revenue Code's backup withholding rules, a U.S. Holder of an Allowed Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan or on instruments received pursuant to the Plan, unless the U.S. Holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional federal income tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of income tax. A U.S. Holder of an Allowed Claim may be required to establish an exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

E. Certain U.S. Federal Income Tax Consequences of the Plan to Non-U.S. Holders of Allowed Claims

For purposes of this discussion, a "Non-U.S. Holder" is any holder of a Claim that is neither a U.S. Holder nor a partnership or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes.

The following discussion includes only certain U.S. federal income tax consequences of the Plan to Non-U.S. Holders. The discussion does not include any non-U.S. tax considerations. The rules governing the U.S.

federal income tax consequences to Non-U.S. Holders are complex. Each Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, state and local and the foreign tax consequences of the consummation of the Plan to such Non-U.S. Holder and the ownership and disposition of the Reorganized PEC Common Stock, Preferred Equity, Subscription Rights, Penny Warrants, the Replacement Secured First Lien Term Loan, Additional First Lien Debt, New Second Lien Notes, and/or Gold Fields Liquidating Trust Units received pursuant to the Plan.

Whether a Non-U.S. Holder realized gain or loss on an exchange or other disposition, and the amount of such gain or loss, is determined in the same manner as set forth above in connection with U.S. Holders.

1. Tax Treatment of Exchange or Disposition

Subject to the application of the Foreign Account Tax Compliance Act ("FATCA") and/or backup withholding, a Non-U.S. Holder generally would not be subject to U.S. federal income or withholding tax with respect to any gain realized on the exchange of an Allowed Claim pursuant to the Plan, or the sale or other taxable disposition (including a cash redemption) of the Reorganized PEC Common Stock, Preferred Equity, Subscription Rights, Penny Warrants, the Replacement Secured First Lien Term Loan, Additional First Lien Debt, New Second Lien Notes and/or Gold Fields Liquidating Trust Units received pursuant to the Plan, unless:

- such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the exchange or the sale or other taxable disposition, or who is subject to special rules applicable to former citizens and residents of the United States;
- such gain would be effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States (and, if an income tax treaty applies, such gain is attributable to a 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 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 subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and 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 such Non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty).

A Non-U.S. Holder that does not qualify for an exemption from withholding tax with respect to interest that is not effectively connected income generally would be subject to U.S. federal withholding tax at a 30% rate (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 payments that are attributable to accrued but untaxed interest on an Allowed Claim, or to interest (including OID, if any) on the Replacement First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes. For purposes of providing a properly executed IRS Form W-8BEN or W-8BEN-E, as applicable (or successor form), special procedures are provided under applicable Treasury regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in the ordinary course of their trade or business.

3. Distributions Paid to Non-U.S. Holders

Any distributions made with respect to the Reorganized PEC Common Stock and/or the Preferred Equity (including constructive distributions as discussed with respect to U.S. Holders in Section XIII.C.5.) would constitute dividends for U.S. federal income tax purposes to the extent of the Reorganized Debtors' current or accumulated earnings and profits as determined under U.S. federal income tax principles. If the amount of any distribution exceeds the Reorganized Debtors' current or accumulated profits, such excess would first be treated as a return of capital to the extent of a Non-U.S. Holder's basis in its shares of Reorganized PEC Common Stock or Preferred Equity, as applicable, and thereafter would be treated as capital gain. Except as described below, U.S.-source dividends paid with respect to Reorganized PEC Common Stock or Preferred Equity, as applicable, held by a Non-U.S. Holder that are not effectively connected with a Non-U.S. Holder's conduct of a trade or business within the United States (or, if an income tax treaty applies, are not attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the United States) would be subject to U.S. federal withholding 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).

In the case of any constructive distribution, it is possible that the U.S. federal tax on the constructive distribution would be withheld by or on behalf of Reorganized PEC from other payments due to Non-U.S. Holders or required to be funded by Non-U.S. Holders. Reorganized PEC may also take other measures to obtain cash to satisfy its withholding requirements with respect to such constructive distributions, including by retaining, selling or liquidating property of the applicable holders, held in its custody or over which it has control. Such holders would not be entitled to receive any additional amounts in respect of any amounts withheld or required to be withheld.

A Non-U.S. Holder generally would be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from withholding under a tax treaty by filing IRS Form W-8BEN or W-8BEN-E, as applicable (or successor form) upon which the Non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments. Dividends paid with respect to Reorganized PEC Common Stock or Preferred Equity, as applicable, held by a Non-U.S. Holder that are established through adequate documentation to be effectively connected with a Non-U.S. Holder's conduct of a trade or business within the United States (and, if an income tax treaty applies, are attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the United States) generally would be subject to U.S. federal income tax, and 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 such Non-U.S. Holder's effectively connected earnings and profits that are attributable to the dividends at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty).

4. Conversion of the Preferred Equity

Special rules apply to transfers of stock in USRPHCs in connection with otherwise tax-free transactions such as, for example, a conversion of preferred stock into common stock. Because of the uncertainty regarding the application of these rules to the conversion of the Preferred Equity into Reorganized PEC Common Stock, the Reorganized Debtors may withhold 15% of the fair market value of any Reorganized PEC Common Stock delivered to a Non-U.S. Holder upon conversion of the Preferred Equity unless the Non-U.S. Holder properly satisfies certain reporting requirements or an exception applies. As discussed above with respect to withholding on constructive distributions, such amounts may be withheld by or on behalf of Reorganized PEC from other payments due to Non-U.S. Holders, required to be funded by Non-U.S. Holders, or obtained by other means. Non-U.S. Holders should consult their own tax advisors regarding this issue.

5. Foreign Account Tax Compliance Act

Pursuant to FATCA, foreign financial institutions (which term includes most foreign hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles) and certain other foreign entities generally must comply with certain new information reporting rules with respect to their U.S. account holders and investors or confront a new withholding tax on U.S.-source payments made to them (whether received as a beneficial owner or as an intermediary for another party). A foreign financial institution or such other foreign entity that does not comply with the FATCA reporting requirements generally would be subject to a new 30% withholding tax with respect to any "withholdable payments." For this purpose, "withholdable payments" are any U.S.-source payments of fixed or determinable, annual or periodic income and, beginning January 1, 2019, also include the entire gross proceeds from the sale or other disposition of any property of a type which can produce U.S.-source interest or dividends (which would include, for example, the Reorganized PEC Common Stock, the Preferred Equity, the Replacement First Lien Term Loan, the Additional First Lien Debt and/or the New Second Lien Notes, as applicable) even if the payment would otherwise not be subject to U.S. nonresident withholding tax (*e.g.*, because it is capital gain). Withholding under FATCA may generally apply to payments of dividends (including constructive dividends) on the Reorganized PEC Common Stock and/or Preferred Equity and payments of U.S.-source interest (including OID) on the Replacement First Lien Term Loan and/or the New Second Lien Notes. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

The Debtors will not pay any additional amounts to Non-U.S. Holders in respect of any amounts withheld, including pursuant to FATCA. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes. Non-U.S. Holders are urged to consult with their own tax advisors regarding the effect, if any, of the FATCA provisions to them based upon their particular circumstances.

The tax consequences of the Plan to the Non-U.S. Holders are uncertain. Non-U.S. Holders should consult their tax advisors regarding the particular tax consequences to them of the transactions contemplated by the Plan.

F. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIM ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XIV.

APPLICABILITY OF CERTAIN FEDERAL AND STATE SECURITIES LAWS

A. Section 1145 Securities

The following is a discussion of the federal and state securities laws applicable to the issuance of Rights Offering Equity Rights and Reorganized PEC Common Stock (other than 4(a)(2) Securities) and Rights Offering Penny Warrants pursuant to the Plan. Such securities are referred to herein as the "Section 1145 Securities."

1. No Registration Under Securities Act

The Debtors anticipate that no registration statement will be filed under the Securities Act or any state securities laws with respect to the offer and distribution under the Plan of the Section 1145 Securities, which will be issued in respect of Claims. The Debtors believe that the provisions of section 1145(a) of the Bankruptcy Code exempt the offer and distribution of such securities under the Plan from federal and state securities registration requirements as discussed below. The Preferred Equity and Reorganized PEC Common Stock and Penny Warrants issuable pursuant to commitments under the Rights Offering Backstop Commitment Agreement and Private Placement Agreement (the "4(a)(2) Securities") are not deemed to be offered or distributed in respect of Claims.

2. Initial Offer and Sale

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state securities laws if three principal requirements are satisfied: (a) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, an affiliate participating in a joint plan with the debtor or a successor to the debtor under the plan; (b) the recipients of the securities must hold a claim against, interest in or an Administrative Expense Claim in the case concerning the debtor or such affiliate; and (c) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor or such affiliate, or principally in such exchange and partly for cash or property. Section 1145(a)(2) of the Bankruptcy Code exempts the offer of a security through any warrant, option, right to purchase or conversion privilege that is sold in the manner specified in section 1145(a)(1) and the sale of a security upon the exercise of such a warrant, option, right or privilege. The Debtors believe that the offer and sale of Section 1145 Securities under the Plan in satisfaction of Claims satisfy the requirements of section 1145(a) of the Bankruptcy Code and, therefore, are exempt from registration under the Securities Act and state securities laws.

The exemptions provided for in section 1145(a) do not apply to an entity that is deemed an "underwriter" as such term is defined in section 1145(b) of the Bankruptcy Code. Section 1145(b) of the Bankruptcy Code provides that, with specified exemptions and except with respect to "ordinary trading transactions" of an entity that is not an "issuer," an entity is an "underwriter" if the entity:

- purchases a claim against, an interest in, or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such a claim or interest ("accumulators");
- offers to sell securities offered under a plan for the holders of such securities ("distributors");
- offers to buy securities under a plan from the holders of such securities, if the offer to buy is (a) with a view to distributing such securities and (b) made under a distribution agreement; or
- is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(a)(11) of the Securities Act.

Under section 2(a)(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer, which means any person directly or indirectly controlling, controlled by or under common control with the issuer.

Persons who are not deemed "underwriters" may generally resell the securities they received under section 1145(a)(1) without registration under the Securities Act or other applicable law. Persons deemed "underwriters" may sell such securities without registration only pursuant to exemptions from registration under the Securities Act and other applicable law.

3. Subsequent Transfers under Federal Securities Law

a. **Non-Affiliates**

Securities issued pursuant to section 1145(a) of the Bankruptcy Code are deemed to have been issued in a public offering pursuant to section 1145(c) of the Bankruptcy Code and are not "restricted securities" as defined by Rule 144 promulgated under the Securities Act ("Rule 144"). In general, therefore, resales of and subsequent transactions in the securities issued under the Plan will be exempt from registration under the Securities Act pursuant to section 4(a)(1) of the Securities Act and are freely tradeable, unless the holder thereof is deemed to be an "issuer," an "underwriter" or a "dealer" with respect to such securities. For these purposes, an "issuer" includes any "affiliate" of the issuer, defined as a person directly or indirectly controlling, controlled by or under common control with the issuer. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. A "dealer," as defined in section 2(a)(12) of the Securities Act, is any person who engages either for all or part of his or her time, directly or indirectly, as agent, broker or principal, in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person. Whether or not any particular person would be deemed to be an affiliate of the Reorganized Debtors or an underwriter or a dealer with respect to any securities issued under the Plan will depend upon various facts and circumstances applicable to that person.

Notwithstanding the provisions of section 1145(b) of the Bankruptcy Code regarding accumulators and distributors, in connection with prior bankruptcy cases, the staff of the SEC has taken the position that resales of securities distributed under a plan of reorganization by accumulators or distributors of securities who are not affiliates of the issuer of such securities are exempt from registration under the Securities Act if effected in ordinary trading transactions. The staff of the SEC has indicated in this context that a transaction by such non-affiliates may be considered an "ordinary trading transaction" if it is made on a national securities exchange or in the over-the-counter market and does not involve any of the following factors:

- either (i) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (ii) concerted action by distributors on behalf of one or more such recipients in connection with such sales;
- the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto and documents filed with the SEC pursuant to the Exchange Act; or
- the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the

compensation that would be paid pursuant to arm's-length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The staff of the SEC has not provided any guidance for privately arranged trades.

The Debtors have not sought the views of the SEC on this matter and, therefore, no assurance can be given regarding the proper application of the "ordinary trading transaction" exemption described above. Any persons intending to rely on such exemption are urged to consult their own counsel as to the applicability thereof to any particular circumstances.

b. **Affiliates**

Securities issued under the Plan to affiliates of the Reorganized Debtors will be subject to restrictions on resale. Affiliates of the Reorganized Debtors for these purposes will generally include its directors and officers and its controlling stockholders. Although there is no precise definition of a "controlling" stockholder, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns 10% or more of a Class of securities of a reorganized debtor may be presumed to be a "controlling person" of the debtor. In addition, for any affiliate of an issuer deemed to be an underwriter, Rule 144 under the Securities Act provides a safe - harbor from registration under the Securities Act for certain limited public resales of unrestricted securities by affiliates of the issuer of such securities. Rule 144 allows a holder of unrestricted securities that is an affiliate of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such unrestricted securities that does not exceed the greater of 1% of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice requirements and the availability of current public information regarding the issuer.

4. Subsequent Transfers Under State Law

The securities issued under the Plan pursuant to section 1145(a) of the Bankruptcy Code generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of those states. However, the availability of such state exemptions depends on the securities laws of each state, and holders of Claims may wish to consult with their own legal advisor regarding the availability of these exemptions in their particular circumstances.

In addition, state securities laws generally provide registration exemptions for subsequent transfers to institutional or accredited investors. Such exemptions generally are expected to be available for subsequent transfers of the securities issued pursuant to the Plan.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER AND OTHER ISSUES ARISING UNDER APPLICABLE SECURITIES LAWS, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRANSFER REORGANIZED PEC COMMON STOCK ISSUED PURSUANT TO THE PLAN. THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

B. 4(a)(2) Securities

The following is a discussion of the federal and state securities laws applicable to the issuance of the Preferred Equity and Reorganized PEC Common Stock and Penny Warrants issuable pursuant to commitments under the Rights Offering Backstop Commitment Agreement and Private Placement Agreement. Such Securities are referred to herein as the "4(a)(2) Securities."

1. No Registration Under Securities Act

The Debtors anticipate that no registration statement will be filed under the Securities Act or any state securities laws with respect to the offer and sale of the 4(a)(2) Securities. The Debtors believe that the provisions of section 4(a)(2) of the Securities Act exempt the offer and sale of the 4(a)(2) Securities from federal securities registration requirements as discussed below.

Where applicable, the 4(a)(2) Securities will be offered and sold in reliance upon Rule 506 of Regulation D promulgated under the Securities Act and such offer and sale with therefore involve a "covered security" under the National Securities Markets Improvement Act of 1996 ("NSMIA"). State regulation of such an offering (but not notice filings and fees) has been preempted by NSMIA.

2. Initial Offer and Sale

The 4(a)(2) Securities will be offered and sold only to persons that have represented that they are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) or an institutional "accredited investor" (under Rule 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act) (each, a "4(a)(2) Eligible Holder"). The 4(a)(2) Securities are not transferable other than pursuant to available registration exemptions under the Securities Act and are not exercisable other than by a 4(a)(2) Eligible Holder.

Section 4(a)(2) of the Securities Act exempts from the registration requirements of the Securities Act the offer and sale of securities by an issuer in a transaction not involving a public offering. Regulation D promulgated under the Securities Act provides a non-exclusive safe harbor under Section 4(a)(2) of the Securities Act. The Debtors believe that the 4(a)(2) Securities are issuable without registration under the Securities Act in reliance upon the exemption from registration provided under Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder. The 4(a)(2) Securities will be subject to resale restrictions and may be resold, exchanged, assigned or otherwise transferred only pursuant to registration, or an applicable exemption from registration, under the Securities Act and other applicable law, as described below.

3. Subsequent Transfers under Federal Securities Law

The 4(a)(2) Securities will be deemed "restricted securities" that may not be offered, sold, exchanged, assigned or otherwise transferred unless they are registered under the Securities Act or an exemption from registration under the Securities Act is otherwise available. Rule 144 provides a limited safe harbor for the public resale of restricted securities if certain conditions are met. These conditions vary depending on whether the holder of the restricted securities is an "affiliate" of the issuer.

Each certificate representing, or issued in exchange for or upon the transfer, sale or assignment of, any 4(a)(2) Security shall, upon issuance, be stamped or otherwise imprinted with a restrictive legend in substantially the following form:

> **"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON DATE OF ISSUANCE, HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM REGISTRATION THEREUNDER."**

Reorganized PEC will reserve the right to require certification, legal opinions or other evidence of compliance with Rule 144 as a condition to the removal of such legend or to any resale of the 4(a)(2) Securities. Reorganized PEC will also reserve the right to stop the transfer of any 4(a)(2) Securities if such transfer is not in compliance with Rule 144 or pursuant to another available exemption from the registration requirements of applicable securities laws. All 4(a)(2) Eligible Holders who receive 4(a)(2) Securities will be required to acknowledge and agree that (a) they will not offer, sell or otherwise transfer any 4(a)(2) Securities except in

accordance with an exemption from registration, including under Rule 144 under the Securities Act, if and when available, and (b) the 4(a)(2) Securities will be subject to the other restrictions described above.

a. **Non-Affiliates**

A non-affiliate of an issuer that is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and who has not been an affiliate of the issuer during the 90 days preceding such sale may resell restricted securities, without registration, after a six-month holding period so long as there is current public information regarding the issuer. A non-affiliate of an issuer that is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and who has not been an affiliate of the issuer during the 90 days preceding such sale may resell restricted securities, without registration, after a one-year holding period whether or not there is current public information regarding the issuer. The Debtors currently expect that this information requirement will be satisfied.

b. **Affiliates**

An affiliate of an issuer that is subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act may resell restricted securities, without registration, after the six-month holding period if at the time of the sale certain current public information regarding the issuer is available, subject to certain limitations noted in the following paragraph. As noted above, the Debtors currently expect that this information requirement will be satisfied.

Rule 144 allows a holder of restricted securities that is an affiliate of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such restricted securities that does not exceed the greater of 1% of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice requirements and, as noted above, the availability of current public information regarding the issuer.

4. Subsequent Transfers Under State Law

The 4(a)(2) Securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of those states. However, the availability of such state exemptions depends on the securities laws of each state, and 4(a)(2) Eligible Holders may wish to consult with their own legal advisor regarding the availability of these exemptions in their particular circumstances.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN AFFILIATE AND OTHER ISSUES ARISING UNDER APPLICABLE SECURITIES LAWS, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRANSFER REORGANIZED PEC COMMON STOCK ISSUABLE UPON EXERCISE OF THE SUBSCRIPTION RIGHTS. THE DEBTORS RECOMMEND THAT 4(a)(2) ELIGIBLE HOLDERS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

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, 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

EXHIBIT A

Amended Joint Plan of Reorganization of Debtors and Debtors in Possession

EXHIBIT D

Identification of Debtor Groups

DEBTOR GROUP A

	Debtor's Name	Debtor's EIN Number	Case No.
1.	Peabody Energy Corporation	13-4004153	16-42529

DEBTOR GROUP B

Encumbered Guarantor Debtors

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.
1.	American Land Development, LLC	20-3405570	16-42535
2.	American Land Holdings of Colorado, LLC	26-3730572	16-42540
3.	American Land Holdings of Illinois, LLC	30-0440127	16-42600
4.	American Land Holdings of Indiana, LLC	20-2514299	16-42546
5.	American Land Holdings of Kentucky, LLC	20-0766113	16-42589
6.	American Land Holdings of West Virginia, LLC	20-5744666	16-42571
7.	Big Ridge, Inc.	37-1126950	16-42553
8.	Big Sky Coal Company	81-0476071	16-42530
9.	Black Hills Mining Company, LLC	32-0049741	16-42544
10.	BTU Western Resources, Inc.	20-1019486	16-42554
11.	Caballo Grande, LLC	27-1773243	16-42559
12.	Caseyville Dock Company, LLC	20-8080107	16-42537
13.	Central States Coal Reserves of Illinois, LLC	43-1869432	16-42688
14.	Central States Coal Reserves of Indiana, LLC	20-3960696	16-42551
15.	Century Mineral Resources, Inc.	36-3925555	16-42567
16.	Coal Reserve Holding Limited Liability Company No. 1	43-1922737	16-42543
17.	COALSALES II, LLC	43-1610419	16-42570
18.	Conservancy Resources, LLC	20-5744701	16-42564
19.	Cottonwood Land Company	43-1721982	16-42572
20.	Cyprus Creek Land Company	73-1625890	16-42534
21.	Cyprus Creek Land Resources LLC	75-3058264	16-42602
22.	Dyson Creek Coal Company, LLC	43-1898526	16-42612
23.	Dyson Creek Mining Company, LLC	20-8080062	16-42621
24.	Empire Land Holdings, LLC	61-1742786	16-42692
25.	Falcon Coal Company, LLC	35-2006760	16-42547
26.	Francisco Equipment Company, LLC	37-1805119	16-42568
27.	Francisco Land Holdings Company, LLC	36-4831111	16-42580
28.	Francisco Mining, LLC	30-0922117	16-42591
29.	Highwall Mining Services Company	20-0010659	16-42588
30.	Hillside Recreational Lands, LLC	32-0214135	16-42594
31.	HMC Mining, LLC	43-1875853	16-42566
32.	Illinois Land Holdings, LLC	26-1865197	16-42599
33.	Independence Material Handling, LLC	43-1750064	16-42606
34.	James River Coal Terminal, LLC	55-0643770	16-42569
35.	Kayenta Mobile Home Park, Inc.	86-0773596	16-42607
36.	Kentucky Syngas, LLC	26-1156957	16-42618
37.	Lively Grove Energy, LLC	20-5752800	16-42595
38.	Marigold Electricity, LLC	26-0180352	16-42628

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.
39.	Midco Supply and Equipment Corporation	43-6042249	16-42585
40.	Midwest Coal Acquisition Corp.	20-0217640	16-42576
41.	Midwest Coal Reserves of Illinois, LLC	20-3960648	16-42597
42.	Midwest Coal Reserves of Indiana, LLC	20-3405958	16-42611
43.	Mustang Energy Company, LLC	43-1898532	16-42657
44.	Pacific Export Resources, LLC	27-5135144	16-42598
45.	Peabody Archveyor, L.L.C.	43-1898535	16-42623
46.	Peabody Arclar Mining, LLC	31-1566354	16-42545
47.	Peabody Bear Run Mining, LLC	26-3582291	16-42565
48.	Peabody Bear Run Services, LLC	26-3725923	16-42574
49.	Peabody Caballo Mining, LLC	83-0309633	16-42533
50.	Peabody Cardinal Gasification, LLC	20-5047955	16-42542
51.	Peabody Coalsales, LLC	20-1759740	16-42539
52.	Peabody COALTRADE International (CTI), LLC	20-1435716	16-42590
53.	Peabody COALTRADE, LLC	43-1666743	16-42575
54.	Peabody Coulterville Mining, LLC	20-0217834	16-42550
55.	Peabody Development Company, LLC	43-1265557	16-42558
56.	Peabody Electricity, LLC	20-3405744	16-42532
57.	Peabody Employment Services, LLC	26-3730348	16-42538
58.	Peabody Energy Generation Holding Company	73-1625891	16-42656
59.	Peabody Energy Investments, Inc.	68-0541702	16-42642
60.	Peabody Energy Solutions, Inc.	43-1753832	16-42632
61.	Peabody Gateway North Mining, LLC	27-2294407	16-42624
62.	Peabody Gateway Services, LLC	26-3724075	16-42581
63.	Peabody Holding Company, LLC	74-2666822	16-42592
64.	Peabody Illinois Services, LLC	26-3722638	16-42610
65.	Peabody Indiana Services, LLC	26-3724339	16-42619
66.	Peabody International Investments, Inc.	26-1361182	16-42536
67.	Peabody International Services, Inc.	20-8340434	16-42541
68.	Peabody Investments Corp.	20-0480084	16-42549
69.	Peabody Magnolia Grove Holdings, LLC	61-1683376	16-42587
70.	Peabody Midwest Management Services, LLC	26-3726045	16-42593
71.	Peabody Midwest Mining, LLC	35-1799736	16-42667
72.	Peabody Midwest Operations, LLC	20-3405619	16-42660
73.	Peabody Midwest Services, LLC	26-3722194	16-42608
74.	Peabody Natural Gas, LLC	43-1890836	16-42626
75.	Peabody Operations Holding, LLC	26-3723890	16-42678
76.	Peabody Powder River Mining, LLC	43-0996010	16-42666
77.	Peabody Powder River Operations, LLC	20-3405797	16-42676
78.	Peabody Powder River Services, LLC	26-3725850	16-42613
79.	Peabody PowerTree Investments, LLC	20-0116980	16-42596
80.	Peabody Recreational Lands, L.L.C.	43-1898382	16-42605
81.	Peabody School Creek Mining, LLC	20-3585831	16-42633
82.	Peabody Services Holdings, LLC	26-3726126	16-42645
83.	Peabody Southwest, LLC	20-5744732	16-42631
84.	Peabody Terminal Holding Company, LLC	26-1087861	16-42650
85.	Peabody Terminals, LLC	31-1035824	16-42614
86.	Peabody Trout Creek Reservoir LLC	30-0746873	16-42622
87.	Peabody Venezuela Coal Corp.	43-1609813	16-42651
88.	Peabody Venture Fund, LLC	20-3405779	16-42637
89.	Peabody-Waterside Development, L.L.C.	75-3098342	16-42662
90.	Peabody Western Coal Company	86-0766626	16-42644

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.
91.	Peabody Wild Boar Mining, LLC	26-3730759	16-42672
92.	Peabody Wild Boar Services, LLC	26-3725591	16-42677
93.	Peabody Wyoming Gas, LLC	20-5744610	16-42640
94.	Peabody Wyoming Services, LLC	26-3723011	16-42653
95.	PEC Equipment Company, LLC	20-0217950	16-42673
96.	Point Pleasant Dock Company, LLC	20-0117005	16-42655
97.	Pond River Land Company	73-1625893	16-42629
98.	Porcupine Production, LLC	43-1898379	16-42648
99.	Porcupine Transportation, LLC	43-1898380	16-42665
100.	Riverview Terminal Company	13-2899722	16-42664
101.	Sage Creek Land & Reserves, LLC	38-3936826	16-42635
102.	School Creek Coal Resources, LLC	20-2902073	16-42643
103.	Seneca Coal Company, LLC	84-1273892	16-42652
104.	Shoshone Coal Corporation	25-1336898	16-42668
105.	Star Lake Energy Company, L.L.C.	43-1898533	16-42639
106.	Sugar Camp Properties, LLC	35-2130006	16-42649
107.	Thoroughbred Generating Company, L.L.C.	43-1898534	16-42679
108.	Thoroughbred Mining Company LLC.	73-1625889	16-42680
109.	West Roundup Resources, LLC	20-2561489	16-42671
110.	Wild Boar Equipment Company, LLC	32-0488114	16-42658
111.	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

DEBTOR GROUP E

Unencumbered Debtors

Four Star Debtors

	Debtor's Name	Debtor's EIN Number	Debtor's Case No.
1.	Four Star Holdings, LLC	30-0885825	16-42556
2.	Southwest Coal Holdings, LLC	37-1794829	16-42674
3.	New Mexico Coal Resources, LLC	20-3405643	16-42647
4.	El Segundo Coal Company, LLC	20-8162824	16-42691
5.	Peabody New Mexico Services, LLC	20-8162939	16-42646
6.	Peabody America, LLC	93-1116066	16-42609
7.	Gallo Finance Company, LLC	43-1823616	16-42586
8.	Peabody Natural Resources Company	51-0332232	16-42634
9.	American Land Holdings of New Mexico, LLC	32-0478983	16-42579
10.	Peabody Southwestern Coal Company, LLC	43-1898372	16-42641
11.	NM Equipment Company, LLC	36-4821991	16-42582
12.	Peabody Colorado Operations, LLC	20-2561644	16-42563
13.	Twentymile Holdings, LLC	38-3937156	16-42654
14.	Sage Creek Holdings, LLC	26-3286872	16-42670
15.	Peabody Sage Creek Mining, LLC	26-3730653	16-42625
16.	Hayden Gulch Terminal, LLC	86-0719481	16-42583
17.	Colorado Yampa Coal Company, LLC	95-3761211	16-42560
18.	Juniper Coal Company, LLC	43-1744675	16-42577
19.	Peabody Williams Fork Mining, LLC	20-8162742	16-42630
20.	Moffat County Mining, LLC	74-1869420	16-42636
21.	Peabody Colorado Services, LLC	26-3723774	16-42531
22.	Peabody Rocky Mountain Management Services, LLC	26-3725390	16-42603
23.	Peabody Rocky Mountain Services, LLC	20-8162706	16-42616
24.	Peabody Twentymile Mining, LLC	26-3725223	16-42627
25.	Seneca Property, LLC	36-4820253	16-42659
26.	Twentymile Equipment Company, LLC	38-3982017	16-42675
27.	Twentymile Coal, LLC	95-3811846	16-42669

Other Non-Guarantor Debtors

	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
8.	Peabody IC Holdings, LLC	30-0829603	16-42601
9.	PG Investments Six, L.L.C.	43-1898530	16-42638

[INTENTIONALLY OMITTED]