

PEABODY ENERGY CORP
Form 8-K
October 10, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported) October 4, 2013

PEABODY ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

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| Delaware (State or other jurisdiction of incorporation or organization) | 1-16463 (Commission File Number) | 13-4004153 (I.R.S. Employer Identification No.) |
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| 701 Market Street, St. Louis, Missouri (Address of principal executive offices) | 63101-1826 (Zip Code) |
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Registrant's telephone number, including area code (314) 342-3400

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On October 9, 2013, Peabody Energy Corporation (“Peabody”) announced that it reached a preliminary agreement with Patriot Coal Corporation (“Patriot”) and the United Mine Workers of America (“UMWA”) to resolve all issues related to Patriot’s bankruptcy. A copy of the Peabody press release announcing such agreement is attached hereto as Exhibit 99.1.

Under the terms of the Settlement Term Sheet dated as of October 4, 2013 (the “Term Sheet”), Peabody would provide a total of \$310 million, payable over four years through 2017, to fund the newly established Voluntary Employee Beneficiary Association (“VEBA”) and settle all Patriot and UMWA claims involving the Patriot bankruptcy.

As part of the proposed settlement, Peabody’s obligations under the NBCWA Liabilities Assumption Agreement dated October 22, 2007 (the “NBCWA Agreement”) among Patriot, Heritage Coal Company LLC (f/k/a Peabody Coal Company, LLC) (“Heritage”), Peabody and Peabody Holding Company LLC (“Peabody Holding”) would be deemed satisfied and that agreement terminated on the Effective Date (as defined in the Term Sheet). As of June 30, 2013, Peabody had approximately \$274 million in accumulated postretirement healthcare benefit obligations to Patriot on account of certain Patriot retirees under the NBCWA Agreement.

As of June 30, 2013, Peabody had approximately \$351 million in other accumulated postretirement healthcare benefit obligations to Patriot retirees under the Section 9711 Coal Act Liabilities Assumption Agreement, dated October 22, 2007, by and between Peabody Holding, Patriot and Peabody (the “Coal Act Liabilities Assumption Agreement”), and the Salaried Employee Liabilities Assumption Agreement, dated October 22, 2007, by and between Peabody Holding, Patriot, Heritage and Peabody (the “Salaried Assumption Agreement”). These obligations will continue.

As part of the proposed settlement, Peabody also would provide approximately \$140 million of credit support to Patriot for five years. Approximately \$56 million of this credit support relates to (a) Patriot’s Coal Act obligations that Peabody agreed to fund at the time of the Patriot spin-off pursuant to the Coal Act Liabilities Assumption Agreement and (b) Patriot’s Federal Black Lung obligations for which Peabody could be held responsible if Patriot fails to fund such obligations when they become due. In addition, the DTA Throughput and Storage Agreement dated October 22, 2007 by and among Peabody Terminals LLC, James River Coal Terminal, LLC and Patriot Coal Sales LLC would be extended through and including March 31, 2016, and the DTA rate would be reduced from \$5.50 per ton to \$1.75 per ton from October 1, 2013 through and including March 31, 2016.

Upon execution of the Term Sheet (and with the consent of the Creditors’ Committee, which shall be obtained by Patriot), the 2004 discovery under the Patriot bankruptcy will be suspended. In addition, the parties will seek to suspend the adversary proceeding and related appeal in the Patriot bankruptcy case. The parties also will seek to have the appeal of the dismissal of the case captioned *Lowe et al v. Peabody Holding Company, LLC, et al*, Civil Action 2:12-dv-06925, be held in abeyance pending the Effective Date.

As of the Effective Date, Patriot would assume (i) the agreements executed in connection with the Patriot spin-off, including Patriot's indemnification obligations contained therein (subject to certain specified exceptions) and (ii) all other agreements entered into by Patriot and Peabody prior to the bankruptcy filing and not previously assumed, rejected, terminated or expired.

In connection with the proposed settlement, Patriot, the UMWA, the UMWA employees and the UMWA retirees will release Peabody and its subsidiaries and affiliates and their current and former professionals, employees, advisors, officers and directors (the "Peabody Released Parties") from any and all Causes of Action (as defined in the Term Sheet). In addition, Patriot will include the Peabody Released Parties in any third-party release, exculpation and injunction provisions contained in the Patriot plan of reorganization to the extent permitted by law, and the UMWA has agreed that it will not object to any such releases.

The settlement is subject to, among other conditions, a definitive agreement among the parties, bankruptcy court approval and the effectiveness of Patriot's plan of reorganization.

The foregoing summary is qualified in its entirety by reference to the Term Sheet, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by this reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

- 10.1 Settlement Term Sheet dated as of October 4, 2013, by and among Patriot Coal Corporation, on behalf of itself and its wholly owned subsidiaries and affiliates, Peabody Energy Corporation, on behalf of itself and its subsidiaries and affiliates, and the United Mine Workers of America, on behalf of itself and the UMWA Employees and UMWA Retirees.
- 99.1 Peabody Energy Corporation press release dated October 9, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PEABODY ENERGY CORPORATION

October 10, 2013 By: /s/ Kenneth L. Wagner
Name: Kenneth L. Wagner
Title: Vice President, Assistant General Counsel and Assistant Secretary

Exhibit Index

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