

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File Number 001-35243

SUNCOKE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

90-0640593
(I.R.S. Employer
Identification No.)

1011 Warrenville Road, Suite 600
Lisle, Illinois 60532
(630) 824-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
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Non-accelerated filer	☐	Smaller reporting company	☐
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

As of October 25, 2013 , there were 69,580,319 shares of the Registrant's \$0.01 par value Common Stock outstanding.

SUNCOKE ENERGY, INC.

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PART I – FINANCIAL INFORMATION

SunCoke Energy, Inc. Consolidated Statements of Income (Unaudited)

Item 1. Consolidated Financial Statements

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
(Dollars and shares in millions, except per share amounts)				
Revenues				
Sales and other operating revenue	\$ 389.9	\$ 480.1	\$ 1,245.0	\$ 1,421.4
Other income, net	0.6	0.4	3.1	1.3
Total revenues	390.5	480.5	1,248.1	1,422.7
Costs and operating expenses				
Cost of products sold and operating expenses	316.5	388.9	1,031.3	1,174.6
Selling, general and administrative expenses	23.5	20.0	65.9	61.2
Depreciation, depletion and amortization	23.2	18.9	70.5	57.5
Total costs and operating expenses	363.2	427.8	1,167.7	1,293.3
Operating income	27.3	52.7	80.4	129.4
Interest expense, net	12.1	12.2	40.0	36.0
Income before income tax expense and loss from equity method investment	15.2	40.5	40.4	93.4
Income tax expense	0.6	7.6	6.5	19.9
Loss from equity method investment	2.3	—	2.5	—
Net income	12.3	32.9	31.4	73.5
Less: Net income attributable to noncontrolling interests	6.1	1.3	17.4	2.3
Net income attributable to SunCoke Energy, Inc.	<u>\$ 6.2</u>	<u>\$ 31.6</u>	<u>\$ 14.0</u>	<u>\$ 71.2</u>
Earnings attributable to SunCoke Energy, Inc. per common share:				
Basic	\$ 0.09	\$ 0.45	\$ 0.20	\$ 1.02
Diluted	\$ 0.09	\$ 0.45	\$ 0.20	\$ 1.01
Weighted average common shares outstanding:				
Basic	69.8	70.0	69.9	70.0
Diluted	70.0	70.3	70.2	70.3

(See Accompanying Notes)

SunCoke Energy, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Net income	\$ 12.3	\$ 32.9	\$ 31.4	\$ 73.5
Other comprehensive loss:				
Reclassifications of prior service benefit and actuarial loss amortization to earnings (net of related tax expense of \$0.2 million and \$0.9 million for the three and nine months ended September 30, 2013, respectively, and \$0.3 million and \$0.9 million for the three and nine months ended September 30, 2012, respectively)	(0.5)	(0.6)	(1.5)	(1.5)
Currency translation adjustment	(10.1)	—	(13.5)	(0.9)
Comprehensive income	1.7	32.3	16.4	71.1
Less: Comprehensive income attributable to noncontrolling interests	6.1	1.3	17.4	2.3
Comprehensive income (loss) attributable to SunCoke Energy, Inc.	\$ (4.4)	\$ 31.0	\$ (1.0)	\$ 68.8

(See Accompanying Notes)

SunCoke Energy, Inc.
Consolidated Balance Sheets

	September 30, 2013	December 31, 2012
	(Unaudited)	
	(Dollars in millions, except per share amounts)	
Assets		
Cash and cash equivalents	\$ 268.8	\$ 239.2
Receivables	65.9	70.0
Inventories	134.5	160.1
Income tax receivable	3.7	—
Deferred income taxes	2.6	2.6
Total current assets	475.5	471.9
Investment in Brazil cokemaking operations	41.0	41.0
Equity method investment in VISA SunCoke Limited	52.5	—
Properties, plants and equipment, net	1,451.2	1,396.6
Lease and mineral rights, net	52.2	52.5
Goodwill	9.4	9.4
Deferred charges and other assets	40.9	39.6
Total assets	\$ 2,122.7	\$ 2,011.0
Liabilities and Equity		
Accounts payable	\$ 125.8	\$ 132.9
Current portion of long-term debt	0.8	3.3
Accrued liabilities	60.9	91.2
Interest payable	7.8	15.7
Income taxes payable	—	3.9
Total current liabilities	195.3	247.0
Long-term debt	648.3	720.1
Obligation for black lung benefits	34.1	34.8
Retirement benefit liabilities	40.9	42.5
Deferred income taxes	362.4	361.5
Asset retirement obligations	16.7	13.5
Other deferred credits and liabilities	17.9	16.7
Total liabilities	1,315.6	1,436.1
Equity		
Preferred stock, \$0.01 par value. Authorized 50,000,000 shares; no issued and outstanding shares at September 30, 2013 and December 31, 2012	—	—
Common stock, \$0.01 par value. Authorized 300,000,000 shares; issued and outstanding 69,524,424 and 69,988,728 shares at September 30, 2013 and December 31, 2012, respectively	0.7	0.7
Treasury stock, 1,255,355 shares at September 30, 2013 and 603,528 at December 31, 2012	(19.9)	(9.4)
Additional paid-in capital	443.4	436.9
Accumulated other comprehensive loss	(22.9)	(7.9)
Retained earnings	132.8	118.8
Total SunCoke Energy, Inc. stockholders' equity	534.1	539.1
Noncontrolling interests	273.0	35.8
Total equity	807.1	574.9
Total liabilities and equity	\$ 2,122.7	\$ 2,011.0

(See Accompanying Notes)

SunCoke Energy, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net income	\$ 31.4	\$ 73.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	70.5	57.5
Deferred income tax expense	1.2	39.2
Payments in excess of expense for retirement plans	(1.6)	(6.2)
Share-based compensation expense	5.5	5.1
Loss from equity method investment	2.5	—
Changes in working capital pertaining to operating activities, net of acquisition:		
Receivables	4.1	(24.9)
Inventories	28.3	27.0
Accounts payable	(7.1)	(60.9)
Accrued liabilities	(30.3)	10.2
Interest payable	(7.9)	(7.8)
Income taxes	(7.3)	(23.6)
Other	(1.7)	(11.3)
Net cash provided by operating activities	<u>87.6</u>	<u>77.8</u>
Cash Flows from Investing Activities:		
Capital expenditures	(95.6)	(40.6)
Acquisition of business	(28.6)	—
Equity method investment in VISA SunCoke Limited	(67.7)	—
Net cash used in investing activities	<u>(191.9)</u>	<u>(40.6)</u>
Cash Flows from Financing Activities:		
Proceeds from issuance of common units of SunCoke Energy Partners, L.P., net of offering costs	237.8	—
Proceeds from issuance of long-term debt	150.0	—
Debt issuance costs	(6.9)	—
Repayment of long-term debt	(225.0)	(2.5)
Proceeds from exercise of stock options	0.9	4.7
Repurchase of common stock	(10.9)	(9.1)
Cash distribution to noncontrolling interest	(12.0)	—
Net cash provided by (used in) financing activities	<u>133.9</u>	<u>(6.9)</u>
Net increase in cash and cash equivalents	29.6	30.3
Cash and cash equivalents at beginning of period	239.2	127.5
Cash and cash equivalents at end of period	<u>\$ 268.8</u>	<u>\$ 157.8</u>

(See Accompanying Notes)

SunCoke Energy, Inc.
Consolidated Statements of Equity
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total SunCoke Energy, Inc. Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount						
	(Dollars in millions)									
At December 31, 2011	70,012,702	\$ 0.7	—	\$ —	\$ 511.3	\$ (6.5)	\$ 20.0	\$ 525.5	\$ 34.4	\$559.9
Net income	—	—	—	—	—	—	71.2	71.2	2.3	73.5
Reclassifications of prior service benefit and actuarial loss amortization to earnings (net of related tax benefit of \$0.6 million)	—	—	—	—	—	(1.5)	—	(1.5)	—	(1.5)
Currency translation adjustment	—	—	—	—	—	(0.9)	—	(0.9)	—	(0.9)
Noncash distribution to Sunoco under Tax Sharing Agreement	—	—	—	—	(88.2)	—	—	(88.2)	—	(88.2)
Share-based compensation expense	—	—	—	—	5.1	—	—	5.1	—	5.1
Stock options exercised and RSUs vested	535,143	—	—	—	4.7	—	—	4.7	—	4.7
Shares repurchased	(592,197)	—	592,197	(9.1)	—	—	—	(9.1)	—	(9.1)
Shares issued to directors	10,140	—	—	—	0.1	—	—	0.1	—	0.1
At September 30, 2012	69,965,788	\$ 0.7	592,197	\$ (9.1)	\$ 433.0	\$ (8.9)	\$ 91.2	\$ 506.9	\$ 36.7	\$543.6
At December 31, 2012	69,988,728	\$ 0.7	603,528	\$ (9.4)	\$ 436.9	\$ (7.9)	\$118.8	\$ 539.1	\$ 35.8	\$574.9
Net income	—	—	—	—	—	—	14.0	14.0	17.4	31.4
Reclassifications of prior service benefit and actuarial loss amortization to earnings (net of related tax benefit of \$0.9 million)	—	—	—	—	—	(1.5)	—	(1.5)	—	(1.5)
Currency translation adjustment	—	—	—	—	—	(13.5)	—	(13.5)	—	(13.5)
Net proceeds from issuance of SunCoke Energy Partners, L.P. units	—	—	—	—	—	—	—	—	231.8	231.8
Cash distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(12.0)	(12.0)
Share-based compensation expense	—	—	—	—	5.5	—	—	5.5	—	5.5
Stock options exercised and RSUs vested	163,859	—	—	—	1.3	—	—	1.3	—	1.3
Shares repurchased	(651,827)	—	651,827	(10.5)	(0.4)	—	—	(10.9)	—	(10.9)
Shares issued to directors	23,664	—	—	—	0.1	—	—	0.1	—	0.1

At September 30, 2013	<u>69,524,424</u>	<u>\$ 0.7</u>	<u>1,255,355</u>	<u>\$(19.9)</u>	<u>\$ 443.4</u>	<u>\$ (22.9)</u>	<u>\$132.8</u>	<u>\$ 534.1</u>	<u>\$ 273.0</u>	<u>\$807.1</u>
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(See Accompanying Notes)

SunCoke Energy, Inc.
Notes to the Consolidated Financial Statements

1. General

Description of Business

SunCoke Energy, Inc. ("SunCoke Energy", "Company", "we", "our" and "us") is an independent owner and operator of five cokemaking facilities in the eastern and midwestern regions of the United States ("U.S.") and operator of a cokemaking facility for a project company in Brazil in which it has a preferred stock investment. The cokemaking operations include blast furnace coke manufacturing at the Company's Jewell Coke Company, L.P. ("Jewell") facility in Vansant, Virginia; Indiana Harbor Coke Company, L.P. ("Indiana Harbor") facility in East Chicago, Indiana; Haverhill Coke Company ("Haverhill") facility in Franklin Furnace, Ohio; Gateway Energy & Coke Company, LLC ("Granite City") facility in Granite City, Illinois; and Middletown Coke Company, Inc. ("Middletown") facility in Middletown, Ohio.

Our Consolidated Financial Statements include SunCoke Energy Partners, L.P. (the "Partnership"), a publicly-traded partnership and variable interest entity. We are considered to be the primary beneficiary of the Partnership for accounting purposes as we have the sole ability to direct the activities of the Partnership that most significantly impact its economic performance. See Note 3 .

On August 30, 2013, the Partnership completed its acquisition of the assets and business operations of Lakeshore Coal Handling Corporation, a coal handling and blending service provider. See Note 5 .

On March 18, 2013 , we completed the transaction to form a cokemaking joint venture with VISA Steel Limited ("VISA Steel") in India called VISA SunCoke Limited ("VISA SunCoke"). VISA SunCoke is comprised of a 440 thousand ton heat recovery cokemaking facility and the facility's associated steam generation units in Odisha, India. See Note 4 .

On January 17, 2012 (the "Distribution Date"), we became an independent, publicly-traded company following our separation (the "Separation") from Sunoco, Inc. ("Sunoco"). The Separation occurred in two steps:

- We were formed as a wholly-owned subsidiary of Sunoco in 2010 . On July 18, 2011 (the "Separation Date"), Sunoco contributed the subsidiaries, assets and liabilities that were primarily related to its cokemaking and coal mining operations to us in exchange for shares of our common stock. As of such date, Sunoco owned 100 percent of our common stock. On July 26, 2011 , we completed an initial public offering ("IPO") of 13,340,000 shares of our common stock, or 19.1 percent of our outstanding common stock. Following the IPO, Sunoco continued to own 56,660,000 shares of our common stock, or 80.9 percent of our outstanding common stock.
- On the Distribution Date, Sunoco made a pro-rata, tax free distribution (the "Distribution") of the remaining shares of our common stock that it owned in the form of a special stock dividend to Sunoco shareholders. Sunoco shareholders received 0.53046456 of a share of common stock for every share of Sunoco common stock held as of the close of business on January 5, 2012 , the record date for the Distribution. After the Distribution, Sunoco ceased to own any shares of our common stock.

Quarterly Reporting

The accompanying Consolidated Financial Statements included herein have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim reporting. Certain information and disclosures normally included in financial statements have been omitted pursuant to the rules and regulation of the Securities and Exchange Commission ("SEC"). In management's opinion, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented have been made. The results of operations for the period ended September 30, 2013 are not necessarily indicative of the operating results for the full year.

Reclassifications

Certain amounts in the prior period Consolidated Financial Statements have been reclassified to conform to the current year presentation.

New Accounting Standards

On January 1, 2013, we adopted Accounting Standards Update ("ASU") 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This ASU requires the disclosure of changes to accumulated other comprehensive income to be presented by component on the face of the financial statements or in a separate note to the financial statements. This ASU also requires the disclosure of significant items reclassified out of accumulated other comprehensive income to net income during the period either on the face of the financial statements or in a separate note to the financial statements. This standard is effective prospectively for interim and annual periods beginning after December 15, 2012. See Note 17.

2. Arrangements Between Sunoco and SunCoke Energy, Inc.

In connection with the IPO, SunCoke Energy and Sunoco entered into certain agreements that effected the separation of SunCoke Energy's business from Sunoco, provided a framework for its relationship with Sunoco after the separation and provided for the allocation between SunCoke Energy and Sunoco of Sunoco's assets, employees, liabilities and obligations attributable to periods prior to, at and after the Separation.

Tax Sharing Agreement. On the Separation Date, SunCoke Energy and Sunoco entered into a tax sharing agreement that governs the parties' respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes. The tax sharing agreement expires on January 17, 2014. Upon and subsequent to the Separation, SunCoke Energy made noncash distributions of \$88.2 million related to the settlement of tax attributes under the tax sharing agreement with Sunoco during the nine months ended September 30, 2012. A corresponding reduction was made to SunCoke Energy's equity accounts. See Note 6.

Transition Services Agreement. On the Separation Date, SunCoke Energy and Sunoco entered into a transition services agreement. The services provided under this agreement generally terminated upon completion of the Distribution on January 17, 2012. The fees paid to Sunoco under this agreement were not material to the financial statements for the three and nine months ended September 30, 2013 and 2012. We expect any remaining services under this agreement will be terminated by the end of 2013.

Guaranty, Keep Well, and Indemnification Agreement. On the Separation Date, SunCoke Energy and Sunoco entered into a guaranty, keep well, and indemnification agreement. Under this agreement, SunCoke Energy: (1) guarantees the performance of certain obligations of its subsidiaries, prior to the date that Sunoco or its affiliates may become obligated to pay or perform such obligations, including the repayment of a loan from Indiana Harbor Coke Company L.P.; (2) indemnifies, defends, and holds Sunoco and its affiliates harmless against all liabilities relating to these obligations; and (3) restricts the assets, debts, liabilities and business activities of one of its wholly-owned subsidiaries, so long as certain obligations of such subsidiary remain unpaid or unperformed. In addition, SunCoke Energy released Sunoco from its guaranty of payment of a promissory note owed by one of its subsidiaries to another of its subsidiaries.

3. Formation of a Master Limited Partnership

On January 24, 2013, we completed the initial public offering of the Partnership through the sale of 13,500,000 common units, representing limited partner interests in the Partnership in exchange for \$231.8 million of proceeds, net of \$24.7 million of offering costs, \$6.0 million of which were paid during 2012 (the "Partnership offering"). Of these net proceeds, \$67.0 million was retained by the Partnership for environmental remediation capital expenditures and \$12.4 million for sales discounts related to tax credits owed to our customers. Upon the closing of the Partnership offering, we own the general partner of the Partnership, which consists of a 2.0 percent ownership interest and incentive distribution rights, and a 55.9 percent limited partner interest in the Partnership. The key assets of the Partnership are a 65 percent interest in each of our Haverhill and Middletown cokemaking and heat recovery facilities. We are also party to an omnibus agreement pursuant to which we will provide the Partnership with: (1) remarketing efforts upon the occurrence of certain potential adverse events under our coke sales agreements; (2) indemnification of certain environmental costs; and (3) preferential rights for growth opportunities.

In connection with the closing of the Partnership offering, we entered into an amendment to our Credit Agreement and the Partnership repaid \$225.0 million of our Term Loan and issued \$150.0 million of senior notes ("Partnership Notes"). See Note 10.

As the general partner of the Partnership, we have the sole ability to direct the activities of the Partnership that most significantly impact its economic performance. We are also considered to be the primary beneficiary of the Partnership for accounting purposes and consolidate the results of the Partnership in our results. The Partnership's Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012, as presented below, are included in the Consolidated Balance Sheets of SunCoke Energy.

	SunCoke Energy Partners, L.P.	SunCoke Energy Partners, L.P. Predecessor
	September 30, 2013	December 31, 2012
	(Unaudited)	
	(Dollars in millions)	
Assets		
Cash	\$ 78.5	\$ —
Receivables	26.0	27.4
Inventories	57.9	63.2
Total current assets	162.4	90.6
Properties, plants and equipment, net	792.5	768.7
Deferred income taxes	—	21.4
Deferred charges and other assets	7.9	4.8
Total assets	\$ 962.8	\$ 885.5
Liabilities and Equity		
Accounts payable	41.5	41.5
Accrued liabilities	3.5	17.0
Interest payable	1.8	—
Payable to affiliate	0.7	—
Total current liabilities	47.5	58.5
Long-term debt	149.7	225.0
Deferred income taxes	1.7	—
Other deferred credits and liabilities	0.3	0.3
Total liabilities	199.2	283.8
Parent Net Equity		
Total equity	763.6	601.7
Total liabilities and parent net equity	\$ 962.8	\$ 885.5

During 2013, the Partnership paid two quarterly cash distributions totaling \$23.3 million , of which \$9.8 million was paid to public unitholders of the Partnership. On October 22, 2013, the Partnership declared a quarterly cash distribution totaling \$13.9 million, of which \$5.8 million will be paid to public unitholders of the Partnership. The distribution will be paid on November 29, 2013 to unitholders of record on November 15, 2013 .

4. Equity Method Investment

On March 18, 2013 , we completed the transaction to form a joint venture, VISA SunCoke, with VISA Steel. VISA SunCoke is comprised of a 440 thousand ton heat recovery cokemaking facility and the facility's associated steam generation units in Odisha, India. We invested \$67.7 million to acquire a 49 percent interest in VISA SunCoke with VISA Steel holding the remaining 51 percent interest. This investment is accounted for under the equity method under which investments are initially recorded at cost. We recognize our share of earnings in VISA SunCoke on a one-month lag and began recognizing such earnings in the second quarter of 2013. We intend to permanently reinvest the earnings of VISA SunCoke, and accordingly, no provision for U.S. income taxes has been recorded on such earnings. During the three and nine months ended September 30, 2013 , we recognized \$2.3 million and \$2.5 million of equity losses in VISA SunCoke, respectively.

5. Acquisition

On August 30, 2013, the Partnership completed its acquisition of the assets and business operations of Lakeshore Coal Handling Corporation ("Lakeshore"), now called SunCoke Lake Terminal LLC ("Lake Terminal") for \$28.6 million . Prior to the acquisition, the entity that owns SunCoke's Indiana Harbor cokemaking operations was a customer of Lakeshore and held the purchase rights to Lakeshore. Concurrent with the closing of the transaction, the Partnership paid \$1.8 million to DTE Energy Company, the third party investor owning a 15 percent interest in the entity that owns Indiana Harbor, in consideration for assigning its share of the Lake Terminal buyout rights to the Partnership. The Partnership recognized this payment in selling, general, and administrative expenses on the Consolidated Statement of Income during the period.

Located in East Chicago, Indiana, Lake Terminal does not take possession of coal but instead derives its revenue by providing coal handling and blending services to its customers on a per ton basis. Lake Terminal has and will continue to provide coal handling and blending services to SunCoke's Indiana Harbor cokemaking operations. In September 2013, Lake Terminal and Indiana Harbor entered into a new 10 year contract with terms equivalent to those of an arm's-length transaction. The results of Lake Terminal have been included in the Consolidated Financial Statements since the acquisition date, and are included in the new Coal Logistics segment. The Partnership recognized plant, property, and equipment at the fair value of \$25.9 million and inventory of \$2.7 million in exchange for the \$28.6 million of consideration paid. No goodwill was recorded as a result of this acquisition.

Inclusive of intersegment sales, the acquisition of Lake Terminal increased revenues by \$1.1 million and operating income by \$0.5 million for both the three and nine months ended September 30, 2013. The acquisition of Lake Terminal is not material to the Company's Consolidated Financial Statements. Therefore, pro forma information has not been presented.

6. Income Taxes

Prior to the Distribution Date, SunCoke Energy and certain subsidiaries of Sunoco were included in the consolidated federal and certain consolidated, combined or unitary state income tax returns filed by Sunoco. However, SunCoke Energy's provision for income taxes and the deferred income tax amounts reflected in the Consolidated Financial Statements have been determined on a theoretical separate-return basis through the Distribution Date. Prior to the Separation Date, any current federal and state income tax amounts were settled with Sunoco under a previous tax sharing arrangement. Under this previous tax sharing arrangement, net operating losses and tax credit carryforwards generated on a theoretical separate-return basis could be used to offset future taxable income determined on a similar basis. Such benefits were reflected in the Company's deferred tax assets, notwithstanding the fact that such net operating losses and tax credits may actually have been realized on Sunoco's consolidated income tax returns, or may be realized in future consolidated income tax returns covering the period through the Distribution Date.

On the Separation Date, SunCoke Energy and Sunoco entered into a new tax sharing agreement that governs the parties' respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes. In general, under the tax sharing agreement:

- With respect to any periods ending at or prior to the Distribution, SunCoke Energy is responsible for any U.S. federal income taxes and any U.S. state or local income taxes reportable on a consolidated, combined or unitary return, in each case, as would be applicable to SunCoke Energy as if it filed tax returns on a stand-alone basis. With respect to any periods beginning after the Distribution, SunCoke Energy is responsible for any U.S. federal, state or local income taxes of it or any of its subsidiaries.
- Sunoco is responsible for any income taxes reportable on returns that include only Sunoco and its subsidiaries (excluding SunCoke Energy and its subsidiaries), and SunCoke Energy is responsible for any income taxes filed on returns that include only it and its subsidiaries.
- Sunoco is responsible for any non-income taxes reportable on returns that include only Sunoco and its subsidiaries (excluding SunCoke Energy and its subsidiaries), and SunCoke Energy is responsible for any non-income taxes filed on returns that include only it and its subsidiaries.

SunCoke Energy is generally not entitled to receive payment from Sunoco in respect of any of SunCoke Energy's tax attributes or tax benefits or any reduction of taxes of Sunoco. Moreover, Sunoco is generally entitled to refunds of income taxes with respect to periods ending at or prior to the Distribution. If SunCoke Energy realizes any refund, credit or other reduction in otherwise required tax payments in any period beginning after the Distribution Date as a result of an audit adjustment resulting in taxes for which Sunoco would otherwise be responsible, then, subject to certain exceptions, SunCoke Energy must pay Sunoco the amount of any such taxes for which Sunoco would otherwise be responsible. Further, if any taxes result to Sunoco as a result of a reduction in SunCoke Energy's tax attributes for a period ending at or prior to the Distribution Date pursuant to an audit adjustment (relative to the amount of such tax attribute reflected on Sunoco's tax return as originally filed), then, subject to certain exceptions, SunCoke Energy is generally responsible to pay Sunoco the amount of any such taxes.

SunCoke Energy has also agreed to certain restrictions that are intended to preserve the tax-free status of the contribution and the Distribution. These covenants include restrictions on SunCoke Energy's issuance or sale of stock or other securities (including securities convertible into our stock but excluding certain compensatory arrangements), and sales of assets outside the ordinary course of business and entering into any other corporate transaction which would cause SunCoke Energy to undergo a 50 percent or greater change in its stock ownership.

SunCoke Energy has generally agreed to indemnify Sunoco and its affiliates against any and all tax-related liabilities incurred by them relating to the contribution or the Distribution to the extent caused by an acquisition of SunCoke Energy's

stock or assets, or other of its actions. This indemnification applies even if Sunoco has permitted SunCoke Energy to take an action that would otherwise have been prohibited under the tax-related covenants as described above.

Under the tax sharing agreement, certain deferred tax assets attributable to net operating losses and tax credit carryforwards, which had been reflected in SunCoke Energy's Consolidated Balance Sheets prior to the Separation Date on a theoretical separate-return basis, were no longer realizable by SunCoke Energy. Accordingly, after the Separation Date, current and deferred tax benefits totaling \$229.2 million were eliminated from the Consolidated Balance Sheets, \$88.2 million of which were eliminated in the nine months ended September 30, 2012, with a corresponding reduction to SunCoke Energy's equity accounts.

SunCoke Energy's tax provision was computed on a theoretical separate-return basis through the Distribution Date. To the extent any tax assets or liabilities computed on that basis differ from amounts actually payable or realizable under the provisions of the tax sharing agreement, adjustments to the tax assets and liabilities will be reflected as an income tax expense or benefit with a corresponding payable due to Sunoco, if necessary, when such amounts have been effectively settled under the terms of the tax sharing agreement. For the nine months ended September 30, 2013, SunCoke recorded income tax expense of \$1.7 million to settle potential obligations under the provisions of the tax sharing agreement. SunCoke Energy will continue to monitor the utilization of all tax attributes subject to the tax sharing agreement as applicable tax returns are filed or as tax examinations progress and will record additional adjustments when necessary, consistent with the terms of the tax sharing agreement.

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year and the impact of discrete items, if any, and adjust the rate as necessary.

The Company's income tax provision for the three and nine months ended September 30, 2013 is lower than the U.S. federal statutory income tax rate primarily due to the impact of earnings that are attributable to noncontrolling ownership interests in partnerships and nonconventional fuel tax credits. The income tax provision for the nine months ended September 30, 2013 includes \$0.4 million related to prior period adjustments associated with local income taxes due for the Company's Middletown operations, a \$1.7 million favorable provision-to-return adjustment as a result of filing our 2012 federal income tax returns, \$1.4 million of additional valuation allowances associated with state and local taxes and \$1.7 million to settle potential obligations under the provisions of our tax sharing agreement with Sunoco. The Company's income tax provision for the three and nine months ended September 30, 2012 is lower than the U.S. federal statutory income tax rate principally due to the impact of nonconventional fuel tax credits.

We have not provided U.S. income taxes on our share of earnings from our joint venture with VISA Steel as we intend to permanently reinvest the earnings of VISA SunCoke.

7. Inventories

The Company's inventory consists of metallurgical coal, which is the principal raw material for the Company's cokemaking operations, coke, which is the finished good sold by the Company to its customers, and materials, supplies and other.

These components of inventories were as follows:

	September 30, 2013	December 31, 2012
	(Dollars in millions)	
Coal	\$ 90.5	\$ 108.0
Coke	8.2	11.8
Materials, supplies and other	35.8	32.0
Consigned coke inventory ⁽¹⁾	—	8.3
	<u>\$ 134.5</u>	<u>\$ 160.1</u>

- (1) During 2011, we estimated that Indiana Harbor would fall short of its 2011 annual minimum coke production requirements by approximately 122 thousand tons. Accordingly, we entered into contracts to procure approximately 133 thousand tons of coke from third parties. The Company then entered into an agreement to sell approximately 95 thousand tons of this purchased coke to a customer on a consignment basis. During 2012, the customer consumed 73 thousand tons of consigned coke and the remaining 22 thousand tons of consigned coke were consumed during the first quarter of 2013.

8. Retirement Benefits Plans

Defined Benefit Pension Plan and Postretirement Health Care and Life Insurance Plans

The Company has a noncontributory defined benefit pension plan (“defined benefit plan”), which provides retirement benefits for certain of its employees. The Company also has plans which provide health care and life insurance benefits for many of its retirees (“postretirement benefit plans”). The postretirement benefit plans are unfunded and the costs are borne by the Company.

Effective January 1, 2011, pension benefits under the Company’s defined benefit plan were frozen for all participants in this plan. The Company also amended its postretirement benefit plans during the first quarter of 2010. Postretirement medical benefits for future retirees were phased out or eliminated, effective January 1, 2011, for non-mining employees with less than ten years of service and employer costs for all those still eligible for such benefits were capped. As a result of these changes, the Company’s postretirement benefit liability declined \$36.7 million during 2010. Most of the benefit of this liability reduction is being amortized into income through 2016.

Defined benefit plan expense consisted of the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Interest cost on benefit obligations	0.3	0.4	1.0	1.1
Expected return on plan assets	(0.6)	(0.5)	(1.8)	(1.4)
Amortization of actuarial losses	0.3	0.2	0.8	0.7
	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ 0.4</u>

Postretirement benefit plans benefit consisted of the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Service cost	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2
Interest cost on benefit obligations	0.3	0.4	1.0	1.4
Amortization of:				
Actuarial losses	0.4	0.4	1.1	1.1
Prior service benefit	(1.4)	(1.4)	(4.3)	(4.2)
	<u>\$ (0.6)</u>	<u>\$ (0.5)</u>	<u>\$ (2.0)</u>	<u>\$ (1.5)</u>

9. Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2013	December 31, 2012
	(Dollars in millions)	
Accrued sales discounts ⁽¹⁾	\$ 12.5	\$ 36.2
Accrued benefits	18.3	21.5
Other taxes payable	11.8	10.9
Other	18.3	22.6
Total	<u>\$ 60.9</u>	<u>\$ 91.2</u>

- (1) At December 31, 2012, we had \$12.4 million accrued related to sales discounts to be paid to our customer at our Haverhill facility. During the first quarter of 2013, we settled this obligation for \$11.8 million which resulted in a gain of \$0.6 million. This gain is recorded in sales and other operating revenue on our Consolidated Statement of Income.

10. Debt

Total debt, including the current portion of long-term debt, consisted of the following:

	September 30, 2013	December 31, 2012
	(Dollars in millions)	
Term loans, bearing interest at variable rates, due 2018, net of original issue discount of \$1.0 million and \$1.7 million at September 30, 2013 and December 31, 2012, respectively ⁽¹⁾	\$ 99.1	\$ 323.4
7.625% senior notes, due 2019 ("Senior Notes")	400.0	400.0
7.375% senior notes, due 2020 ("Partnership Notes")	150.0	—
Total debt	\$ 649.1	\$ 723.4
Less: current portion of long-term debt	0.8	3.3
Total long-term debt	\$ 648.3	\$ 720.1

(1) Borrowed under the Company's Credit Agreement on July 26, 2011, as amended ("Credit Agreement").

Concurrent with the IPO, SunCoke Energy entered into a Credit Agreement that provides for a seven -year term loan ("Term Loan") in a principal amount of \$300.0 million . The Credit Agreement provides for up to \$75.0 million in uncommitted incremental facility term loans ("Incremental Facilities") that are available subject to the satisfaction of certain conditions. SunCoke Energy also issued \$400.0 million aggregate principal amount of senior notes ("Senior Notes") that bear interest at a rate of 7.625 percent per annum and will mature in 2019 with all principal paid at maturity.

As of September 30, 2013 , there was \$45.0 million of capacity under the Incremental Facilities. The Credit Agreement also provides for a \$150.0 million revolving facility ("Revolving Facility") that can be used to finance capital expenditures, acquisitions, working capital needs and for other general corporate purposes. As of September 30, 2013 , the Revolving Facility had letters of credit outstanding of \$2.1 million , leaving \$147.9 million available subject to the terms of the Credit Agreement.

In connection with the closing of the Partnership offering, the Partnership repaid \$225.0 million of our Term Loan and we entered into an amendment to our Credit Agreement. In conjunction with the repayment, we incurred a charge of approximately \$2.9 million , which is included in interest expense, net on the Consolidated Statement of Income, representing the write-off of unamortized debt issuance costs and original issue discount related to the portion of the Term Loan extinguished.

The amendment to our Credit Agreement, among other things, modified provisions to reflect the Partnership offering including (i) changing the definition of "Consolidated Net Income" to include cash distributions received by the Company or a Restricted Subsidiary from an Unrestricted Subsidiary that is controlled directly or indirectly by the Company when calculating "Consolidated Net Income", (ii) clarifying that obligations incurred by certain subsidiaries of the Company at or about the timing of the closing of the Partnership offering shall not be included in the definition of "Indebtedness," and (iii) permitting an allowance for investments in Middletown Coke Company, LLC and Haverhill Coke Company LLC and certain other subsidiaries of the Company. In addition, we also designated Middletown Coke Company, LLC and Haverhill Coke Company LLC as unrestricted subsidiaries. Furthermore, the term of the Credit Agreement was extended to January 2018 . We incurred debt issuance costs of \$0.7 million in conjunction with this amendment which will be amortized through January 2018.

In addition, with the closing of the Partnership offering, the Partnership issued \$150.0 million of Partnership Notes. The Partnership Notes have an interest rate of 7.375 percent and mature on February 1, 2020 . The Partnership may redeem some or all of the Partnership Notes prior to February 1, 2016 by paying a "make-whole" premium. The Partnership also may redeem some or all of the Partnership Notes on or after February 1, 2016 at specified redemption prices. In addition, prior to February 1, 2016 , the Partnership may redeem up to 35 percent of the Partnership Notes using the proceeds of certain equity offerings. If the Partnership sells certain of its assets or experiences specific kinds of changes in control, subject to certain exceptions, the Partnership must offer to purchase the Partnership Notes. In conjunction with the closing of the Partnership offering, the Partnership also entered into a \$100.0 million revolving credit facility with a term extending through January 2018 . In conjunction with these transactions, the Partnership incurred debt issuance costs of \$5.9 million , \$0.8 million of which were immediately expensed and are included in interest expense, net on the Consolidated Statement of Income, as they were related to the portion of the issuance that was considered a modification of the existing Term Loan discussed above. Approximately \$0.6 million of these costs were paid in 2012. This credit facility was amended on August 28, 2013 , increasing the total aggregate commitments from lenders to \$150.0 million and now also providing for up to \$100.0 million uncommitted incremental revolving capacity, subject to the satisfaction of certain conditions. We paid \$0.9 million in fees related to the

credit facility amendment. The fees have been included in deferred charges and other assets in the Consolidated Balance Sheet, which will be amortized over the life of the facility. As of September 30, 2013, this credit facility had letters of credit outstanding of \$0.7 million, leaving \$149.3 million available.

11. Commitments and Contingent Liabilities

The Company is subject to indemnity agreements with current and former third-party investors of Indiana Harbor and Jewell related to certain tax benefits that they earned as limited partners. Based on the applicable statute of limitations, as well as published filings of the limited partners, the Company believes that tax audits for years 2006 and 2007, relating to tax credits of approximately \$51 million, may still be open for the limited partners and subject to examination. As of September 30, 2013, the Company has not been notified by the limited partners that any items subject to the indemnification are under examination and further believes that the potential for any claims under the indemnity agreements is remote.

SunCoke is also party to an omnibus agreement pursuant to which we will provide remarketing efforts to the Partnership upon the occurrence of certain potential adverse events under our coke sales agreements, indemnification of certain environmental costs and preferential rights for growth opportunities.

In June 2013, AK Steel experienced a blast furnace outage at their Middletown plant. Due to this outage, we agreed to manage production at our Haverhill cokemaking facility to be consistent with annual contract maximums and to temporarily scale back coke production at our Middletown facility to name plate capacity levels in the second half of 2013. Pursuant to the omnibus agreement, the Company remitted a make-whole payment to the Partnership of \$0.6 million in the third quarter 2013, which was based on lower production levels at our Middletown cokemaking facility. We recorded this payment as a capital contribution to the Partnership. The Company expects to make additional payments of approximately \$0.4 million in the fourth quarter 2013 due to the anticipated lower coke production levels at the Middletown facility. In addition, the Partnership plans to provide AK Steel extended payment terms on December 2013 coke production and pursuant to our omnibus agreement, the Company will remit to the Partnership the amounts due under normal contract terms and hold the extended-term receivables with AK Steel, resulting in a shift of approximately \$20 million in expected operating cash flow from 2013 to early 2014.

The United States Environmental Protection Agency (the "EPA") has issued Notices of Violations ("NOVs") for our Haverhill and Granite City cokemaking facilities which stem from alleged violations of our air emission operating permits for these facilities. We are working in a cooperative manner with the EPA, the Ohio Environmental Protection Agency and the Illinois Environmental Protection Agency to address the allegations, and a Consent Decree among the parties was lodged in federal court in June 2013. The settlement includes payment of a civil penalty, and we estimate our reasonably probable loss to be approximately \$2.2 million. Further, the settlement consists of capital projects to improve reliability of the energy recovery systems and enhance environmental performance at the Haverhill and Granite City facilities. As a result of discussions with the EPA, we spent approximately \$5 million related to these projects in 2012 and expect to spend approximately \$23 million in 2013. We also plan to spend an additional \$72 million in the 2014 to 2016 time frame. A portion of the proceeds from the Partnership offering is being used to fund \$67 million of the total spending on this project.

The Company has received NOVs from the EPA related to our Indiana Harbor cokemaking facility. The Company is working in a cooperative manner to address the allegations with the EPA, the Indiana Department of Environmental Management ("IDEM") and Cokerenergy, Inc., an independent power producer that owns and operates an energy facility, including heat recovery equipment, a flue gas desulfurization system and a power generation plant that processes hot flue gas from our Indiana Harbor cokemaking facility to produce steam and electricity and to reduce the sulfur and particulate content of such flue gas. Settlement may require payment of a penalty for alleged past violations as well as undertaking capital projects to enhance environmental performance. In conjunction with the contract renewal with our customer, we are undertaking an estimated \$85 million refurbishment project to improve the reliability and condition of the facility. We spent \$14 million related to this project in 2012 and anticipate spending \$58 million in 2013. We believe that the scope of the project will address items that may be required in connection with the settlement of the NOVs at our Indiana Harbor cokemaking facility. At this time, the Company cannot yet assess any future injunctive relief or potential monetary penalty and any potential future citations. The Company is unable to estimate a range of probable or reasonably possible loss.

The Southwest Ohio Air Quality Agency ("SWOAQA") also issued a NOV to our Middletown facility in November 2012. We responded to the NOV by providing a carbon injection plan requested by SWOAQA. At present, the Company cannot assess whether there will be a monetary penalty or any future citations, but we do not expect such a penalty or citations to be material to the financial position, results of operations or cash flows of the Company at September 30, 2013.

Other legal and administrative proceedings are pending or may be brought against the Company arising out of its current and past operations, including matters related to commercial and tax disputes, product liability, antitrust, employment claims, premises-liability claims, allegations of exposures of third parties to toxic substances and general environmental claims.

Although the ultimate outcome of these claims cannot be ascertained at this time, it is reasonably possible that some portion of these claims could be resolved unfavorably to the Company. Management of the Company believes that any liability which may arise from such matters would not be material in relation to the financial position, results of operations or cash flows of the Company at September 30, 2013 .

12. Restructuring

During the first quarter of 2013 , we implemented a reduction in force at our Coal Mining segment. This reduction in force resulted in the termination of 52 employees eligible to receive certain payments. The Company incurred restructuring charges of \$0.9 million related to this reduction in force during the first quarter of 2013 and does not anticipate any further significant charges. At September 30, 2013 , there was no liability remaining related to the restructuring.

13. Share-Based Compensation

During the nine months ended September 30, 2013 , we granted share-based compensation to eligible participants under the SunCoke Energy, Inc. Long-Term Performance Enhancement Plan (“SunCoke LTPEP”).

Stock Options

We granted stock options to purchase 446,948 shares of common stock during the nine months ended September 30, 2013 with an exercise price equal to the closing price of our common stock on the date of grant. The stock options become exercisable in three equal annual installments beginning one year from the date of grant. The stock options expire 10 years from the date of grant. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP.

The Company calculates the value of each employee stock option, estimated on the date of grant, using the Black-Scholes option pricing model. The fair value of employee stock options granted during the nine months ended September 30, 2013 was \$6.00 using the following weighted-average assumptions:

	Nine months ended September 30, 2013
Risk free interest rate	0.93%
Expected term	5 years
Volatility	44%
Dividend yield	—%
Weighted-average exercise price	\$ 16.55

The Company uses the average implied volatility of the Dow Jones U.S. Steel index coupled with the implied volatility of the S&P 600. Since the Company does not have a direct peer group and only has a limited trading history it believes this approach provides a reasonable implied volatility.

The risk-free interest rate assumption is based on the U.S. Treasury yield curve at the date of grant for periods which approximate the expected life of the option. The dividend yield assumption is based on the Company’s future expectation of dividend payouts. The expected life of employee options represents the average contractual term adjusted by the average vesting period of each option tranche. The Company estimated a three percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

As of September 30, 2013 , the Company had 2.3 million stock options outstanding excluding the stock options issued in conjunction with the award modifications discussed below. The Company recognized compensation cost of \$1.2 million and \$3.3 million for the three and nine months ended September 30, 2013 , respectively, and compensation expense of \$1.0 million and \$2.9 million for the three and nine months ended September 30, 2012 . As of September 30, 2013 , there was \$6.1 million of total unrecognized compensation cost related to these nonvested stock options. This compensation cost is expected to be recognized over the next 1.6 years .

Restricted Stock Units

The Company issued 277,918 restricted stock units (“RSU”) for shares of the Company’s common stock during the nine months ended September 30, 2013 that vest in three annual installments beginning one year from the grant date. The weighted-average fair value of the RSUs granted during the nine months ended September 30, 2013 of \$16.54 was based on the closing

price of our common stock on the date of grant. The Company estimated a three percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP.

As of September 30, 2013, the Company had 489,951 RSUs outstanding excluding the RSUs issued in conjunction with the award modifications discussed below. The Company recognized \$0.7 million and \$1.7 million in compensation expense during the three and nine months ended September 30, 2013, respectively, and \$0.3 million and \$1.2 million of compensation expense during the three and nine months ended September 30, 2012, respectively. As of September 30, 2013, there was \$6.1 million of total unrecognized compensation cost related to these nonvested RSUs. This compensation cost is expected to be recognized over the next 2.2 years.

Performance Share Units

The Company issued 96,073 performance share units ("PSU") for shares of the Company's common stock during the nine months ended September 30, 2013 that vest on December 31, 2015. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP. The weighted average fair value of the PSUs granted during the nine months ended September 30, 2013 is \$19.56 and is based on the closing price of our common stock on the date of grant as well as a Monte Carlo simulation for the portion of the award subject to a market condition. The Company estimated a three percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

The number of PSUs ultimately awarded will be adjusted based upon the following metrics: (1) 50 percent of the award will be determined by the Company's three year total shareholder return ("TSR") as compared to the TSR of the companies making up the S&P 600; and (2) 50 percent of the award will be determined by the Company's three year average pre-tax return on capital for the Company's coke business. Each portion of the award may be adjusted between zero and 200 percent of the original units granted.

As of September 30, 2013, the Company had 96,073 PSUs outstanding. The Company recognized \$0.2 million and \$0.4 million of compensation expense during the three and nine months ended September 30, 2013, respectively. As of September 30, 2013, there was \$1.5 million of total unrecognized compensation cost related to these nonvested PSUs. This compensation cost is expected to be recognized over the next 2.4 years.

Award Modifications

In connection with the Distribution, certain Sunoco common stock awards and stock options that were held by Sunoco employees, Sunoco directors and SunCoke Energy employees were modified and an anti-dilutive provision was added. In general, all Sunoco stock options held by Sunoco employees and Sunoco directors were converted into both Sunoco and SunCoke Energy stock options. Sunoco stock options held by SunCoke Energy employees were converted to SunCoke Energy stock options. All SunCoke Energy common stock issued as a result of option exercises or the vesting of common stock awards will be issued under the SunCoke LTPEP.

At the Distribution Date, 1,219,842 SunCoke Energy stock options were issued in connection with the conversion of the outstanding Sunoco stock options to Sunoco employees and directors, of which 336,781 were outstanding at September 30, 2013. The converted stock options for Sunoco employees and directors are fully vested and exercisable and any expense associated with the modification of these stock options was recognized by Sunoco. The exercise prices for these stock options range from \$4.77 to \$29.35 per share. The stock options expire 10 years from the date of the original grant. During the nine months ended September 30, 2013, 79,561 options were exercised and 325,320 options were forfeited.

At the Distribution Date, 295,854 SunCoke Energy stock options were issued in connection with the conversion of the outstanding Sunoco stock options for SunCoke Energy employees, all of which are fully vested with 282,277 outstanding and exercisable as of September 30, 2013. The exercise prices for these stock options range from \$8.93 to \$22.31 per share. The stock options expire 10 years from the date of the original grant. In the first quarter of 2012, SunCoke Energy recorded a \$0.5 million charge in connection with the award modification and the addition of an anti-dilution provision. Compensation expense related to these awards during the three and nine months ended September 30, 2013 and 2012 was not material.

At the Distribution Date, outstanding Sunoco common stock units held by SunCoke Energy employees were converted into 95,984 SunCoke Energy restricted stock units, all of which had vested as of September 30, 2013. Compensation expense related to these awards during the three and nine months ended September 30, 2013 and 2012 was not material.

14. Share Repurchase Program

In February 2012, the Company's Board of Directors authorized the repurchase of up to 3.5 million shares of the Company's common stock over a three year period in order to counter the dilutive impact of exercised stock options and the vesting of restricted stock grants ("Repurchase Program"). During the nine months ended September 30, 2013, the Company repurchased 625,000 shares on the open-market at a cost of approximately \$10.1 million. As of September 30, 2013, the Company had approximately 2.3 million shares remaining available for repurchase under the Repurchase Program.

In addition to shares repurchased under the Repurchase Program discussed above, during the nine months ended September 30, 2013, the Company withheld shares from LTPEP participants to satisfy \$0.8 million in minimum tax withholding obligations, pursuant to the terms of our LTPEP.

15. Earnings per Share

Basic earnings per share has been computed by dividing net income by the weighted average number of shares outstanding during the period. Except where the result would be anti-dilutive, diluted earnings per share has been computed to give effect to share-based compensation awards using the treasury stock method.

The following table sets forth the reconciliation of the weighted-average number of common shares used to compute basic earnings per share ("EPS") to those used to compute diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Shares in millions)			
Weighted-average number of common shares outstanding-basic	69.8	70.0	69.9	70.0
Add: Effect of dilutive share-based compensation awards	0.2	0.3	0.3	0.3
Weighted-average number of shares-diluted	70.0	70.3	70.2	70.3

The potential dilutive effect of 1.9 million and 2.4 million stock options was excluded from the computation of diluted weighted-average shares outstanding for the three and nine months ended September 30, 2013 respectively, as the shares would have been anti-dilutive. The potential dilutive effect of 2.6 million stock options was excluded from the computation of diluted weighted-average shares outstanding for the three months ended and 2.5 million stock options and 0.1 million restricted stock units was excluded from the computation of diluted weighted-average shares outstanding for the nine months ended September 30, 2012, as the shares would have been anti-dilutive.

16. Supplemental Cash Flow Information

Cash flows from operations reflected cash payments for interest and income taxes as follows:

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Interest paid	\$ 36.2	\$ 40.7
Income taxes paid	\$ 12.6	\$ 3.9

17. Supplemental Accumulated Other Comprehensive Loss Information

Changes in the balance of accumulated other comprehensive loss, by component, are presented below:

	Defined Benefit Plans	Currency Translation Adjustments	Total
	(Dollars in millions)		
At December 31, 2012	\$ (6.6)	\$ (1.3)	\$ (7.9)
Other comprehensive loss before reclassifications	—	(13.5)	(13.5)
Amounts reclassified from accumulated other comprehensive loss	(1.5)	—	(1.5)
Net current period other comprehensive loss	(1.5)	(13.5)	(15.0)
At September 30, 2013	\$ (8.1)	\$ (14.8)	\$ (22.9)

The impact on net income of reclassification adjustments from accumulated other comprehensive loss were as follows:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
	(Dollars in millions)	
Amortization of defined benefit plan items to net income:		
Prior service benefit	\$ 1.4	\$ 4.3
Actuarial loss	(0.7)	(1.9)
Total before taxes	0.7	2.4
Income tax expense	(0.2)	(0.9)
Total, net of tax	\$ 0.5	\$ 1.5

18. Fair Value Measurement

The Company measures certain financial and non-financial assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are measured at fair value on a recurring basis.

Foreign Currency Hedge

The Company occasionally utilizes foreign exchange derivatives to manage the risks associated with fluctuations in foreign currency exchange rates and accounts for them under ASC 815- *Derivatives and Hedging*, which requires all derivatives to be marked to market (fair value). The Company does not purchase or hold any derivatives for trading purposes. On November 26, 2012, the Company entered into agreements to purchase 1.845 billion Indian rupees at a weighted average rate of 56.075 with a settlement date of January 31, 2013. During the first quarter of 2013, the settlement date for these agreements was extended to March 14, 2013. Additionally, on February 21, 2013, the Company entered into agreements to purchase an additional 1.830 billion Indian rupees at a weighted average rate of 54.810 with a settlement date of March 14, 2013, at which point our India joint venture investment was fully hedged. The Company did not elect hedge accounting treatment for these foreign exchange contracts and, therefore, the changes in the fair value of the derivative are recorded in other income, net on the Consolidated Statement of Income.

The fair value of the foreign exchange contract at December 31, 2012 was an asset of approximately \$0.6 million. In estimating the fair market value of the foreign exchange contract, the Company utilized published exchange rates at December 31, 2012 between the U.S. dollar and Indian rupee. The contracts were cash settled on March 14, 2013 and the net mark to market impact of the foreign exchange contract was a gain of approximately \$0.9 million for the nine months ended September 30, 2013 which was recorded in other income, net on the Consolidated Statement of Income.

Interest Rate Swaps

The Company utilizes interest rate swaps to manage the risk associated with changing interest rates and accounts for them under ASC 815—Derivatives and Hedging, which requires all derivatives to be marked to market (fair value). The Company does not purchase or hold any derivatives for trading purposes. On August 15, 2011, the Company entered into interest rate swap agreements with an aggregate notional amount of \$125.0 million. During the first quarter of 2013, we settled

one of the interest rate swaps having a notional amount of \$25.0 million . The impact of this transaction on the financial statements was not material. The remaining agreements expire three years from the forward effective date of October 11, 2011 . Under the outstanding interest rate swap agreements, the Company will pay a weighted average fixed rate of 1.3175 percent in exchange for receiving floating rate payments based on the greater of 1.0 percent or three -month LIBOR. The Company did not elect hedge accounting treatment for these interest rate swaps and, therefore, the changes in the fair value of the interest rate swap agreements are recorded in interest expense. The counterparties of the interest rate swap agreements are large financial institutions which the Company believes are of high quality creditworthiness. While the Company may be exposed to potential losses due to the credit risk of nonperformance by these counterparties, such losses are not anticipated.

The fair value of the swap agreements at September 30, 2013 was a liability of approximately \$0.4 million . The mark to market impact of the swap arrangements was a reduction in interest expense of \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2013 , respectively and an increase in interest expense of zero and \$0.3 million for the three and nine months ended September 30, 2012 , respectively. In estimating the fair market value of interest rate swaps, the Company utilized a present value technique which discounts future cash flows against the underlying floating rate benchmark. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty. These inputs are not observable in the market and are classified as Level 3 within the valuation hierarchy.

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Contingent consideration related to the acquisition of Harold Keene Coal Co., Inc. and affiliated companies ("HKCC") is measured at fair value and amounted to \$4.6 million at September 30, 2013 . The estimated fair value is based on significant inputs that are not observable in the market, or Level 3 within the valuation hierarchy. Key assumptions at September 30, 2013 include (a) a risk-adjusted discount rate range of 1.314 percent to 8.225 percent , which reflects a credit spread adjustment for each period, and (b) production levels of HKCC operations between zero and 318 thousand tons per year. The fair value adjustments to contingent consideration decreased cost of products sold by \$0.2 million for the three and nine months ended September 30, 2013 . The fair value adjustments to contingent consideration decreased cost of products sold by \$3.2 million and \$3.9 million for the three and nine months ended September 30, 2012 , respectively.

Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At September 30, 2013 , no material fair value adjustments or fair value measurements were required for these non-financial assets or liabilities.

Certain Financial Assets and Liabilities not Measured at Fair Value

At September 30, 2013 , the estimated fair value of the Company's debt was estimated to be \$682.6 million , compared to a carrying amount of \$649.1 million , which was net of original issue discount and mandatory pre-payments made since issuance. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions and are considered Level 3 inputs.

19. Business Segment Information

The Company is an independent owner and operator of five cokemaking facilities in the eastern and midwestern regions of the United States. The Company is also the operator of a cokemaking facility for a project company in Brazil in which it has a preferred stock investment and is a 49 percent joint venture partner in a cokemaking operation in India. In addition to its cokemaking operations, the Company has metallurgical coal mining operations in the eastern United States as well as coal handling and blending operations in the midwest.

The Domestic Coke segment includes the Jewell, Indiana Harbor, Haverhill, Granite City and Middletown cokemaking facilities. Each of these facilities produces coke and all facilities except Jewell recover waste heat which is converted to steam or electricity through a similar production process. The coke production for these facilities is sold directly to integrated steel producers under contracts which provide for the pass-through of coal costs subject to contractual coal-to-coke yields plus an operating cost component and fixed fee component received for each ton of coke sold.

Prior to 2011, the results of our Jewell cokemaking facility were not comparable to our other domestic cokemaking facilities due to a difference in pricing for the coal component of coke price. Beginning in January 2011, the coal component of coke price in the Jewell Coke sales agreement was changed, and as a result the economic characteristics of Jewell became similar to the Company's other domestic cokemaking facilities. Prior to 2013, the Company elected to continue to report Jewell separately due to the differences in comparability of Jewell's results caused by different coal pricing terms in pre 2011 periods versus post 2011 periods. Beginning in January 2013, Jewell has been reflected within the Domestic Coke segment as

there is now consistency in Jewell's contract terms between all periods presented. Prior periods have been restated to reflect this change.

On March 18, 2013, we completed the transaction to form a cokemaking joint venture called VISA SunCoke with VISA Steel. VISA SunCoke is comprised of a 440 thousand ton heat recovery cokemaking facility and the facility's associated steam generation units in Odisha, India. We own a 49 percent interest in VISA SunCoke and account for this investment under the equity method. We recognize our share of earnings in VISA SunCoke on a one-month lag and began recognizing such earnings in the second quarter of 2013. The results of our joint venture are presented below in the India Coke segment.

With the addition of VISA SunCoke, our operations in Brazil are no longer our only foreign coke operations and have been renamed the Brazil Coke segment. The Brazil Coke segment operates a cokemaking facility located in Vitória, Brazil for a project company. The Brazil Coke segment earns income from the Brazilian facility through (1) licensing and operating fees payable to us under long-term contracts with the local project company that will run through 2023, subject, in the case of the licensing agreement, to the issuance prior to 2014 of certain patents in Brazil that have been granted in the United States and (2) an annual preferred dividend on our preferred stock investment from the project company guaranteed by the Brazil subsidiary of ArcelorMittal.

The Company's Coal Mining segment conducts coal mining operations near the Company's Jewell cokemaking facility with mines located in Virginia and West Virginia. Currently, a substantial portion of the coal production is sold to the Jewell cokemaking facility for conversion into coke. Some coal is also sold to other cokemaking facilities within the Domestic Coke segment. Intersegment coal revenues for sales to the Domestic Coke segment are reflective of the contract price that the facilities within the Domestic Coke segment charge their customers, which approximate the market prices for this quality of metallurgical coal.

On August 30, 2013, the Partnership completed its acquisition of Lake Terminal. Located in East Chicago, Indiana, Lake Terminal has and will provide coal handling and blending services to our Indiana Harbor cokemaking operations. The results of Lake Terminal are presented in the new Coal Logistics segment below.

Overhead expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other. Interest expense, net is also excluded from segment results. Segment assets are those assets that are utilized within a specific segment.

The following table includes Adjusted EBITDA, which is the measure of segment profit or loss reported to the chief operating decision maker for purposes of allocating resources to the segments and assessing their performance:

Three Months Ended September 30, 2013							
(Dollars in millions)							
	Domestic Coke	Brazil Coke	India Coke	Coal Mining	Coal Logistics	Corporate and Other	Consolidated
Sales and other operating revenue	\$ 364.8	\$ 8.2	\$ —	\$ 16.8	\$ 0.1	\$ —	\$ 389.9
Intersegment sales	\$ —	\$ —	\$ —	\$ 35.7	\$ 1.0	\$ —	\$ —
Adjusted EBITDA	\$ 64.3	\$ 1.5	\$ (2.1)	\$ (2.6)	\$ 0.7	\$ (11.1)	\$ 50.7
Loss from equity method investment	\$ —	\$ —	\$ 2.3	\$ —	\$ —	\$ —	\$ 2.3
Depreciation, depletion and amortization	\$ 16.8	\$ 0.1	\$ —	\$ 5.6	\$ 0.2	\$ 0.5	\$ 23.2
Capital expenditures	\$ 29.5	\$ (0.2)	\$ —	\$ 4.0	\$ —	\$ 0.9	\$ 34.2
Total segment assets	\$ 1,525.8	\$ 51.6	\$ 52.8	\$ 176.0	\$ 30.0	\$ 286.5	\$ 2,122.7

Three Months Ended September 30, 2012						
(Dollars in millions)						
	Domestic Coke	Brazil Coke	Coal Mining	Corporate and Other	Consolidated	
Sales and other operating revenue	\$ 462.9	\$ 8.3	\$ 8.9	\$ —	\$ 480.1	
Intersegment sales	\$ —	\$ —	\$ 56.2	\$ —	\$ —	
Adjusted EBITDA	\$ 69.8	\$ 0.9	\$ 10.7	\$ (7.7)	\$ 73.7	
Depreciation, depletion and amortization	\$ 14.1	\$ —	\$ 4.2	\$ 0.6	\$ 18.9	
Capital expenditures	\$ 10.9	\$ 0.3	\$ 7.7	\$ 1.0	\$ 19.9	
Total segment assets	\$ 1,533.7	\$ 52.8	\$ 190.1	\$ 183.8	\$ 1,960.4	

Nine Months Ended September 30, 2013							
(Dollars in millions)							
	Domestic Coke	Brazil Coke	India Coke	Coal Mining	Coal Logistics	Corporate and Other	Consolidated
Sales and other operating revenue	\$1,168.8	\$ 25.9	\$ —	\$ 50.2	\$ 0.1	\$ —	\$ 1,245.0
Intersegment sales	\$ —	\$ —	\$ —	\$ 100.8	\$ 1.0	\$ —	\$ —
Adjusted EBITDA	\$ 186.7	\$ 4.7	\$ (1.3)	\$ (9.8)	\$ 0.7	\$ (25.6)	\$ 155.4
Loss from equity method investment	\$ —	\$ —	\$ 2.5	\$ —	\$ —	\$ —	\$ 2.5
Depreciation, depletion and amortization	\$ 52.4	\$ 0.3	\$ —	\$ 15.9	\$ 0.2	\$ 1.7	\$ 70.5
Capital expenditures	\$ 77.8	\$ 0.6	\$ —	\$ 14.3	\$ —	\$ 2.9	\$ 95.6
Total segment assets	\$1,525.8	\$ 51.6	\$ 52.8	\$ 176.0	\$ 30.0	\$ 286.5	\$ 2,122.7

Nine Months Ended September 30, 2012					
(Dollars in millions)					
	Domestic Coke	Brazil Coke	Coal Mining	Corporate and Other	Consolidated
Sales and other operating revenue	\$1,356.6	\$ 27.3	\$ 37.5	\$ —	\$ 1,421.4
Intersegment sales	\$ —	\$ —	\$ 152.5	\$ —	\$ —
Adjusted EBITDA	\$ 187.0	\$ 1.7	\$ 27.4	\$ (20.1)	\$ 196.0
Depreciation, depletion and amortization	\$ 43.0	\$ 0.2	\$ 12.6	\$ 1.7	\$ 57.5
Capital expenditures	\$ 20.6	\$ 1.2	\$ 16.7	\$ 2.1	\$ 40.6
Total segment assets	\$1,533.7	\$ 52.8	\$ 190.1	\$ 183.8	\$ 1,960.4

The Company evaluates the performance of its segments based on segment Adjusted EBITDA, which is defined as earnings before interest, taxes, depreciation, depletion and amortization (“EBITDA”) adjusted for sales discounts and the interest, taxes, depreciation, depletion and amortization attributable to our equity method investment. EBITDA reflects sales discounts included as a reduction in sales and other operating revenue. The sales discounts represent the sharing with customers of a portion of nonconventional fuels tax credits, which reduce our income tax expense. However, we believe our Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit that is not included in EBITDA. Accordingly, in computing Adjusted EBITDA, we have added back these sales discounts. Our Adjusted EBITDA also includes EBITDA attributable to our equity method investment. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses. Management believes Adjusted EBITDA is an important measure of the operating performance of the Company’s net assets.

We believe Adjusted EBITDA is an important measure of operating performance and provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance. Adjusted EBITDA is a measure of operating performance that is not defined by GAAP, does not represent and should not be considered a substitute for net income as determined in accordance with GAAP. Calculations of Adjusted EBITDA may not be comparable to those reported by other companies.

Set forth below is additional detail as to how we use Adjusted EBITDA as a measure of operating performance, as well as a discussion of the limitations of Adjusted EBITDA as an analytical tool.

Operating Performance. Our management uses Adjusted EBITDA in a number of ways to assess our consolidated financial and operating performance, and we believe this measure is helpful to management in identifying trends in our performance. Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance while neutralizing the impact of capital structure on financial results. Accordingly, we believe this metric measures our financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

Limitations. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure. Adjusted EBITDA also has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Some of these limitations include that Adjusted EBITDA:

- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirement for, working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest on or principal payments of our debt;
- does not reflect certain other non-cash income and expenses;
- excludes income taxes that may represent a reduction in available cash; and
- includes net income (loss) attributable to noncontrolling interests.

Below is a reconciliation of Adjusted EBITDA (unaudited) to net income, which is its most directly comparable financial measure calculated and presented in accordance with GAAP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Adjusted EBITDA attributable to SunCoke Energy, Inc.	\$ 40.8	\$ 72.6	\$ 126.4	\$ 194.5
Add: Adjusted EBITDA attributable to noncontrolling interests ⁽¹⁾	9.9	1.1	29.0	1.5
Adjusted EBITDA	50.7	73.7	155.4	196.0
Subtract:				
Adjustments to unconsolidated affiliate earnings	0.3	—	1.3	—
Depreciation, depletion and amortization	23.2	18.9	70.5	57.5
Interest expense, net	12.1	12.2	40.0	36.0
Income tax expense	0.6	7.6	6.5	19.9
Sales discounts provided to customers due to sharing of nonconventional fuel tax credits	2.2	2.1	5.7	9.1
Net income	\$ 12.3	\$ 32.9	\$ 31.4	\$ 73.5

- (1) Reflects net income attributable to noncontrolling interest adjusted for the noncontrolling interest share of interest, taxes, depreciation and amortization.

The following table sets forth the Company's total sales and other operating revenue by product or service:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Coke sales	\$ 348.3	\$ 447.0	\$ 1,120.0	\$ 1,309.3
Steam and electricity sales	16.6	16.0	49.0	47.5
Operating and licensing fees	8.2	8.4	25.9	27.4
Metallurgical coal sales	16.7	8.7	50.0	37.2
Coal logistics	0.1	—	0.1	—
Sales and other operating revenue	\$ 389.9	\$ 480.1	\$ 1,245.0	\$ 1,421.4

20. Supplemental Condensed Consolidating Financial Information

Certain 100 percent owned subsidiaries of the Company serve as guarantors of the obligations under the Credit Agreement and \$400 million Notes ("Guarantor Subsidiaries"). These guarantees are full and unconditional (subject, in the case of the Guarantor Subsidiaries, to customary release provisions as described below) and joint and several. For purposes of the following footnote, SunCoke Energy, Inc. is referred to as "Issuer." The indenture dated July 26, 2011 among the Company, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., governs subsidiaries designated as "Guarantor Subsidiaries." All other consolidated subsidiaries of the Company are collectively referred to as "Non-Guarantor Subsidiaries."

In connection with the closing of the Partnership offering, we entered into an amendment to our Credit Agreement (see Note 10 for additional information). In conjunction with the amendment, we designated Middletown Coke Company, LLC and Haverhill Coke Company LLC as unrestricted subsidiaries. As such, they are presented as "Non-Guarantor Subsidiaries." Prior periods have been restated to reflect this change.

The ability of the Partnership and Indiana Harbor to pay dividends and make loans to the Company is restricted under the partnership agreements of the Partnership and Indiana Harbor, respectively. The credit agreement governing the Partnership's credit facility and the indenture governing the Partnership Notes contain customary provisions which would potentially restrict the Partnership's ability to make distributions or loans to the Company under certain circumstances.

The guarantee of a Guarantor Subsidiary will terminate upon:

- a sale or other disposition of the Guarantor Subsidiary or of all or substantially all of its assets;
- a sale of a majority of the Capital Stock of a Guarantor Subsidiary to a third party, after which the Guarantor Subsidiary is no longer a "Restricted Subsidiary" in accordance with the indenture governing the Notes
- the liquidation or dissolution of a Guarantor Subsidiary so long as no "Default" or "Event of Default," as defined under the indenture governing the Notes, has occurred as a result thereof
- the designation of a Guarantor Subsidiary as an "unrestricted subsidiary" in accordance with the indenture governing the Notes
- the requirements for defeasance or discharge of the indentures governing the Notes having been satisfied.
- the release, other than the discharge through payments by a Guarantor Subsidiary, from its guarantee under the Credit Agreement or other indebtedness that resulted in the obligation of the Guarantor Subsidiary under the indenture governing the Notes

The following supplemental condensed combining and consolidating financial information reflects the Issuer's separate accounts, the combined accounts of the Guarantor Subsidiaries, the combined accounts of the Non-Guarantor Subsidiaries, the combining and consolidating adjustments and eliminations and the Issuer's consolidated accounts for the dates and periods indicated. For purposes of the following condensed combining and consolidating information, the Issuer's investments in its subsidiaries and the Guarantor and Non-Guarantor Subsidiaries' investments in its subsidiaries are accounted for under the equity method of accounting.

SunCoke Energy, Inc.
Condensed Consolidating Statement of Income
Three Months Ended September 30, 2013
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	\$ —	\$ 131.1	\$ 258.8	\$ —	\$ 389.9
Equity in earnings of subsidiaries	14.4	25.7	—	(40.1)	—
Other income, net	—	0.6	—	—	0.6
Total revenues	14.4	157.4	258.8	(40.1)	390.5
Costs and operating expenses					
Cost of products sold and operating expenses	—	107.1	209.4	—	316.5
Selling, general and administrative expenses	3.1	11.6	8.8	—	23.5
Depreciation, depletion and amortization	—	10.8	12.4	—	23.2
Total costs and operating expenses	3.1	129.5	230.6	—	363.2
Operating income	11.3	27.9	28.2	(40.1)	27.3
Interest income—affiliate	—	(1.9)	—	1.9	—
Interest cost—affiliate	—	—	1.9	(1.9)	—
Interest expense (income), net	9.5	3.4	(0.8)	—	12.1
Total financing expense, net	9.5	1.5	1.1	—	12.1
Income before income tax expense and loss from equity method investment	1.8	26.4	27.1	(40.1)	15.2
Income tax (benefit) expense	(4.4)	5.9	(0.9)	—	0.6
Loss from equity method investment	—	—	2.3	—	2.3
Net income	6.2	20.5	25.7	(40.1)	12.3
Less: Net income attributable to noncontrolling interests	—	—	6.1	—	6.1
Net income attributable to SunCoke Energy, Inc.	<u>\$ 6.2</u>	<u>\$ 20.5</u>	<u>\$ 19.6</u>	<u>\$ (40.1)</u>	<u>\$ 6.2</u>
Comprehensive income	\$ (4.4)	\$ 20.3	\$ 15.4	\$ (29.6)	\$ 1.7
Less: Comprehensive income attributable to noncontrolling interests	—	—	6.1	—	6.1
Comprehensive income attributable to SunCoke Energy, Inc.	<u>\$ (4.4)</u>	<u>\$ 20.3</u>	<u>\$ 9.3</u>	<u>\$ (29.6)</u>	<u>\$ (4.4)</u>

SunCoke Energy, Inc.
Condensed Consolidating Statement of Income
Three Months Ended September 30, 2012
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	\$ —	\$ 153.7	\$ 326.4	\$ —	\$ 480.1
Equity in earnings of subsidiaries	41.6	26.0	—	(67.6)	—
Other income, net	—	0.4	—	—	0.4
Total revenues	41.6	180.1	326.4	(67.6)	480.5
Costs and operating expenses					
Cost of products sold and operating expenses	—	112.6	276.3	—	388.9
Selling, general and administrative expenses	2.5	11.8	5.7	—	20.0
Depreciation, depletion, and amortization	—	9.3	9.6	—	18.9
Total costs and operating expenses	2.5	133.7	291.6	—	427.8
Operating income	39.1	46.4	34.8	(67.6)	52.7
Interest income—affiliate	—	(1.9)	—	1.9	—
Interest expense—affiliate	—	—	1.9	(1.9)	—
Interest expense (income), net	12.1	(1.8)	1.9	—	12.2
Total financing expense (income), net	12.1	(3.7)	3.8	—	12.2
Income before income tax expense	27.0	50.1	31.0	(67.6)	40.5
Income tax (benefit) expense	(4.6)	4.7	7.5	—	7.6
Net income	31.6	45.4	23.5	(67.6)	32.9
Less: Net income attributable to noncontrolling interests	—	—	1.3	—	1.3
Net income attributable to SunCoke Energy, Inc.	\$ 31.6	\$ 45.4	\$ 22.2	\$ (67.6)	\$ 31.6
Comprehensive income	\$ 31.0	\$ 44.8	\$ 23.5	\$ (67.0)	\$ 32.3
Less: Comprehensive income attributable to noncontrolling interests	—	—	1.3	—	1.3
Comprehensive income attributable to SunCoke Energy, Inc.	\$ 31.0	\$ 44.8	\$ 22.2	\$ (67.0)	\$ 31.0

SunCoke Energy, Inc.
Condensed Consolidating Statement of Income
Nine Months Ended September 30, 2013
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	\$ —	\$ 400.9	\$ 844.1	\$ —	\$ 1,245.0
Equity in earnings of subsidiaries	42.0	64.2	—	(106.2)	—
Other income, net	—	3.0	0.1	—	3.1
Total revenues	42.0	468.1	844.2	(106.2)	1,248.1
Costs and operating expenses					
Cost of products sold and operating expenses	—	333.5	697.8	—	1,031.3
Selling, general and administrative expenses	8.6	36.2	21.1	—	65.9
Depreciation, depletion and amortization	—	31.4	39.1	—	70.5
Total costs and operating expenses	8.6	401.1	758.0	—	1,167.7
Operating income	33.4	67.0	86.2	(106.2)	80.4
Interest income—affiliate	—	(5.5)	—	5.5	—
Interest cost—affiliate	—	—	5.5	(5.5)	—
Interest expense (income), net	28.6	(0.5)	11.9	—	40.0
Total financing expense, net	28.6	(6.0)	17.4	—	40.0
Income before income tax expense and loss from equity method investment	4.8	73.0	68.8	(106.2)	40.4
Income tax (benefit) expense	(9.2)	15.8	(0.1)	—	6.5
Loss from equity method investment	—	—	2.5	—	2.5
Net income	14.0	57.2	66.4	(106.2)	31.4
Less: Net income attributable to noncontrolling interests	—	—	17.4	—	17.4
Net income attributable to SunCoke Energy, Inc.	\$ 14.0	\$ 57.2	\$ 49.0	\$ (106.2)	\$ 14.0
Comprehensive income	\$ (1.0)	\$ 55.9	\$ 52.7	\$ (91.2)	\$ 16.4
Less: Comprehensive income attributable to noncontrolling interests	—	—	17.4	—	17.4
Comprehensive income attributable to SunCoke Energy, Inc.	\$ (1.0)	\$ 55.9	\$ 35.3	\$ (91.2)	\$ (1.0)

SunCoke Energy, Inc.
Condensed Consolidating Statement of Income
Nine Months Ended September 30, 2012
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	\$ —	\$ 463.2	\$ 958.2	\$ —	\$ 1,421.4
Equity in earnings of subsidiaries	104.2	61.1	—	(165.3)	—
Other income, net	—	1.3	—	—	1.3
Total revenues	104.2	525.6	958.2	(165.3)	1,422.7
Costs and operating expenses					
Cost of products sold and operating expenses	—	343.0	831.6	—	1,174.6
Selling, general and administrative expenses	8.0	33.1	20.1	—	61.2
Depreciation, depletion, and amortization	—	27.8	29.7	—	57.5
Total costs and operating expenses	8.0	403.9	881.4	—	1,293.3
Operating income	96.2	121.7	76.8	(165.3)	129.4
Interest income—affiliate	—	(5.5)	—	5.5	—
Interest expense—affiliate	—	—	5.5	(5.5)	—
Interest expense (income), net	36.2	(5.5)	5.3	—	36.0
Total financing expense (income), net	36.2	(11.0)	10.8	—	36.0
Income before income tax expense	60.0	132.7	66.0	(165.3)	93.4
Income tax (benefit) expense	(11.2)	12.8	18.3	—	19.9
Net income	71.2	119.9	47.7	(165.3)	73.5
Less: Net income attributable to noncontrolling interests	—	—	2.3	—	2.3
Net income attributable to SunCoke Energy, Inc.	\$ 71.2	\$ 119.9	\$ 45.4	\$ (165.3)	\$ 71.2
Comprehensive income	\$ 68.8	\$ 118.4	\$ 46.8	\$ (162.9)	\$ 71.1
Less: Comprehensive income attributable to noncontrolling interests	—	—	2.3	—	2.3
Comprehensive income attributable to SunCoke Energy, Inc.	\$ 68.8	\$ 118.4	\$ 44.5	\$ (162.9)	\$ 68.8

SunCoke Energy, Inc.
Condensed Consolidating Balance Sheet
September 30, 2013
(Dollars in millions, except per share amounts)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 188.9	\$ 79.9	\$ —	\$ 268.8
Receivables	0.1	32.8	33.0	—	65.9
Inventories	—	44.8	89.7	—	134.5
Deferred income taxes	—	2.6	—	—	2.6
Advances from affiliate	50.3	22.8	—	(73.1)	—
Interest receivable from affiliate	—	5.5	—	(5.5)	—
Income taxes receivable	30.8	—	10.9	(38.0)	3.7
Total current assets	81.2	297.4	213.5	(116.6)	475.5
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Investment in Brazil cokemaking operations	—	—	41.0	—	41.0
Equity method investment	—	—	52.5	—	52.5
Properties, plants and equipment, net	—	500.5	950.7	—	1,451.2
Lease and mineral rights, net	—	52.2	—	—	52.2
Goodwill	—	9.4	—	—	9.4
Deferred income taxes	7.3	—	—	(7.3)	—
Deferred charges and other assets	12.2	17.5	11.2	—	40.9
Investment in subsidiaries	940.4	756.5	—	(1,696.9)	—
Total assets	\$ 1,041.1	\$ 1,722.5	\$ 1,568.9	\$ (2,209.8)	\$ 2,122.7
Liabilities and Equity					
Advances from affiliate	\$ —	\$ 50.3	\$ 22.8	\$ (73.1)	\$ —
Accounts payable	—	41.6	84.2	—	125.8
Current portion of long term debt	0.8	—	—	—	0.8
Accrued liabilities	0.5	46.1	14.3	—	60.9
Interest payable	6.0	—	1.8	—	7.8
Interest payable to affiliate	—	—	5.5	(5.5)	—
Income taxes payable	—	38.0	—	(38.0)	—
Total current liabilities	7.3	176.0	128.6	(116.6)	195.3
Long term debt	498.6	—	149.7	—	648.3
Payable to affiliate	—	300.0	89.0	(389.0)	—
Obligation for black lung benefits	—	34.1	—	—	34.1
Retirement benefit liabilities	—	40.9	—	—	40.9
Deferred income taxes	—	368.8	0.9	(7.3)	362.4
Asset retirement obligations	—	14.4	2.3	—	16.7
Other deferred credits and liabilities	1.1	16.4	0.4	—	17.9
Total liabilities	507.0	950.6	370.9	(512.9)	1,315.6
Equity					
Preferred stock, \$0.01 par value. Authorized 50,000,000 shares; no issued and outstanding shares at September 30, 2013 and December 31, 2012	—	—	—	—	—
Common stock, \$0.01 par value. Authorized 300,000,000 shares; issued and outstanding 69,524,424 shares at September 30, 2013	0.7	—	—	—	0.7
Treasury Stock, 1,255,356 shares at September 30, 2013	(19.9)	—	—	—	(19.9)
Additional paid-in capital	443.4	385.7	857.3	(1,243.0)	443.4

Accumulated other comprehensive income	(22.9)	(8.0)	(14.9)	22.9	(22.9)
Retained earnings	132.8	394.2	82.6	(476.8)	132.8
Total SunCoke Energy, Inc. stockholders' equity	534.1	771.9	925.0	(1,696.9)	534.1
Noncontrolling interests	—	—	273.0	—	273.0
Total equity	534.1	771.9	1,198.0	(1,696.9)	807.1
Total liabilities and equity	<u>\$ 1,041.1</u>	<u>\$ 1,722.5</u>	<u>\$ 1,568.9</u>	<u>\$ (2,209.8)</u>	<u>\$ 2,122.7</u>

SunCoke Energy, Inc.
Condensed Consolidating Balance Sheet
December 31, 2012
(Dollars in millions, except per share amounts)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 206.9	\$ 32.3	\$ —	\$ 239.2
Receivables	—	28.3	41.7	—	70.0
Inventories	—	57.2	102.9	—	160.1
Deferred income taxes	—	2.0	0.6	—	2.6
Income taxes receivable	16.1	—	0.4	(16.5)	—
Advances from affiliate	65.8	—	70.5	(136.3)	—
Total current assets	81.9	294.4	248.4	(152.8)	471.9
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Investment in Brazil cokemaking operations	—	—	41.0	—	41.0
Properties, plants and equipment, net	—	508.5	888.1	—	1,396.6
Lease and mineral rights, net	—	52.5	—	—	52.5
Goodwill	—	9.4	—	—	9.4
Deferred charges and other assets	23.0	13.2	3.4	—	39.6
Investment in subsidiaries	1,173.4	992.7	—	(2,166.1)	—
Total assets	\$ 1,278.3	\$ 1,959.7	\$ 1,480.9	\$ (2,707.9)	\$ 2,011.0
Liabilities and Equity					
Advances from affiliate	\$ —	\$ 136.3	\$ —	\$ (136.3)	\$ —
Accounts payable	0.5	49.0	83.4	—	132.9
Current portion of long term debt	3.3	—	—	—	3.3
Accrued liabilities	0.6	60.7	29.9	—	91.2
Interest payable	15.7	—	—	—	15.7
Income taxes payable	—	20.4	—	(16.5)	3.9
Total current liabilities	20.1	266.4	113.3	(152.8)	247.0
Long term debt	720.1	—	—	—	720.1
Payable to affiliate	—	300.0	89.0	(389.0)	—
Obligation for black lung benefits	—	34.8	—	—	34.8
Retirement benefit liabilities	—	42.4	0.1	—	42.5
Deferred income taxes	(1.9)	180.0	183.4	—	361.5
Asset retirement obligations	—	11.3	2.2	—	13.5
Other deferred credits and liabilities	0.9	15.5	0.3	—	16.7
Total liabilities	739.2	850.4	388.3	(541.8)	1,436.1
Equity					
Preferred stock, \$0.01 par value. Authorized 50,000,000 shares; no issued and outstanding shares at December 31, 2012	—	—	—	—	—
Common stock, \$0.01 par value. Authorized 300,000,000 shares; issued and outstanding 69,988,728 shares at December 31, 2012	0.7	—	—	—	0.7
Treasury stock, 603,528 shares at December 31, 2012	(9.4)	—	—	—	(9.4)
Additional paid-in capital	436.9	778.9	938.4	(1,717.3)	436.9
Accumulated other comprehensive income	(7.9)	(6.7)	(1.2)	7.9	(7.9)
Retained earnings	118.8	337.1	119.6	(456.7)	118.8
Total SunCoke Energy, Inc. stockholders' equity	539.1	1,109.3	1,056.8	(2,166.1)	539.1
Noncontrolling interests	—	—	35.8	—	35.8
Total equity	539.1	1,109.3	1,092.6	(2,166.1)	574.9
Total liabilities and equity	\$ 1,278.3	\$ 1,959.7	\$ 1,480.9	\$ (2,707.9)	\$ 2,011.0

SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2013
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net income	\$ 14.0	\$ 57.2	\$ 66.4	\$ (106.2)	\$ 31.4
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	—	31.4	39.1	—	70.5
Deferred income tax expense	—	1.2	—	—	1.2
Payments in excess of expense for retirement plans	—	(1.5)	(0.1)	—	(1.6)
Share-based compensation expense	5.5	—	—	—	5.5
Equity in earnings of subsidiaries	(42.0)	(64.2)	—	106.2	—
Loss from equity method investment	—	—	2.5	—	2.5
Changes in working capital pertaining to operating activities:					
Receivables	(0.1)	(4.5)	8.7	—	4.1
Inventories	—	12.4	15.9	—	28.3
Accounts payable	(0.5)	(7.4)	0.8	—	(7.1)
Accrued liabilities	(0.1)	(14.6)	(15.6)	—	(30.3)
Interest payable	(9.7)	(5.5)	7.3	—	(7.9)
Income taxes payable	(14.4)	17.6	(10.5)	—	(7.3)
Other	8.4	(1.3)	(8.8)	—	(1.7)
Net cash (used in) provided by operating activities	(38.9)	20.8	105.7	—	87.6
Cash Flows from Investing Activities:					
Capital expenditures	—	(20.4)	(75.2)	—	(95.6)
Aquisition of business	—	—	(28.6)	—	(28.6)
Equity method investment	—	—	(67.7)	—	(67.7)
Net cash used in investing activities	—	(20.4)	(171.5)	—	(191.9)
Cash Flows from Financing Activities:					
Proceeds from issuance of common units or SunCoke Energy Partners, L.P.	—	—	237.8	—	237.8
Proceeds from issuance of long-term debt	—	—	150.0	—	150.0
Debt issuance costs	(1.6)	—	(5.3)	—	(6.9)
Repayment of long-term debt	—	—	(225.0)	—	(225.0)
Proceeds from exercise of stock options	0.9	—	—	—	0.9
Repurchase of common stock	(10.9)	—	—	—	(10.9)
Cash distributions to noncontrolling interests in cokemaking operations	—	—	(12.0)	—	(12.0)
Net increase (decrease) in advances from affiliate	50.5	(18.4)	(32.1)	—	—
Net cash provided by (used in) financing activities	38.9	(18.4)	113.4	—	133.9
Net (decrease) increase in cash and cash equivalents	—	(18.0)	47.6	—	29.6
Cash and cash equivalents at beginning of period	—	206.9	32.3	—	239.2
Cash and cash equivalents at end of period	\$ —	\$ 188.9	\$ 79.9	\$ —	\$ 268.8

SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2012
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net income	\$ 71.2	\$ 119.9	\$ 47.7	\$ (165.3)	\$ 73.5
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	—	27.8	29.7	—	57.5
Deferred income tax (benefit) expense	—	30.1	9.1	—	39.2
Payments less than expense for retirement plans	—	(6.2)	—	—	(6.2)
Share-based compensation expense	5.1	—	—	—	5.1
Equity in earnings of subsidiaries	(104.2)	(61.1)	—	165.3	—
Changes in working capital pertaining to operating activities:					
Receivables	—	(14.8)	(10.1)	—	(24.9)
Inventories	—	19.5	7.5	—	27.0
Accounts payable	1.0	(34.9)	(27.0)	—	(60.9)
Accrued liabilities	—	6.8	3.4	—	10.2
Interest payable	(7.8)	(2.2)	2.2	—	(7.8)
Income taxes payable	(10.4)	(9.7)	(3.5)	—	(23.6)
Other	(2.6)	(12.7)	4.0	—	(11.3)
Net cash (used in) provided by operating activities	(47.7)	62.5	63.0	—	77.8
Cash Flows from Investing Activities:					
Capital expenditures	—	(20.2)	(20.4)	—	(40.6)
Net cash used in investing activities	—	(20.2)	(20.4)	—	(40.6)
Cash Flows from Financing Activities:					
Repayment of long-term debt	(2.5)	—	—	—	(2.5)
Proceeds from exercise of stock options	4.7	—	—	—	4.7
Repurchase of common stock	(9.1)	—	—	—	(9.1)
Net increase (decrease) in advances from affiliate	54.6	(26.5)	(28.1)	—	—
Net cash provided by (used in) financing activities	47.7	(26.5)	(28.1)	—	(6.9)
Net (decrease) increase in cash and cash equivalents	—	15.8	14.5	—	30.3
Cash and cash equivalents at beginning of period	—	109.4	18.1	—	127.5
Cash and cash equivalents at end of period	\$ —	\$ 125.2	\$ 32.6	\$ —	\$ 157.8

21. Subsequent Event

Coal Handling Transaction

On October 1, 2013, the Partnership completed its acquisition of 100 percent of the ownership interest in Kanawha River Terminals LLC ("KRT") for \$86.0 million utilizing \$46.0 million of available cash and \$40.0 million of borrowings under its existing revolving credit facility. KRT is a leading metallurgical and thermal coal blending and handling terminal service provider with the collective capacity to blend and transload more than 30 million tons of coal annually. Beginning in the fourth quarter, the results of the Partnership's acquisition of KRT will be included in the Coal Logistics segment. The acquisition of KRT is not anticipated to be material to the Company's Consolidated Financial Statements.

ArcelorMittal contract extension

Effective October 1, 2013, the Company entered into a 10 -year extension of its existing Indiana Harbor coke sales agreement to provide 1.22 million tons of metallurgical coke annually to ArcelorMittal. Key provisions of the extension agreement are substantially similar to the existing agreement, including continuing the pass-through of coal costs, reimbursement of operating and maintenance expenses subject to certain metrics, and an increased fixed fee per ton of coke produced to recognize the approximately \$85 million in new capital being deployed to refurbish and upgrade the Company's Indiana Harbor cokemaking facility.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains certain forward-looking statements of expected future developments, as defined in the Private Securities Litigation Reform Act of 1995. This discussion contains forward-looking statements about our business, operations and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations and intentions. Our future results and financial condition may differ materially from those we currently anticipate as a result of the factors we describe under “Cautionary Statement Concerning Forward-Looking Statements.”

This “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is based on financial data derived from the financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and certain other financial data that is prepared using non-GAAP measures. For a reconciliation of these non-GAAP measures to the most comparable GAAP components, see “Non-GAAP Financial Measures” at the end of this Item.

Overview

We are the largest independent producer of high-quality coke in the Americas, as measured by tons of coke produced each year, and have more than 50 years of coke production experience. Coke is a principal raw material in the blast furnace steelmaking process. Coke is generally produced by heating metallurgical coal in a refractory oven, which releases certain volatile components from the coal, thus transforming the coal into coke. We have designed, developed and built, and own and operate five cokemaking facilities in the United States (“U.S.”).

During 2012, we sold approximately 4.4 million tons of coke to our three primary customers in the U.S.: ArcelorMittal, AK Steel and U.S. Steel. Our total U.S. cokemaking stated capacity is approximately 4.2 million tons of coke per year. We operate a cokemaking facility in Brazil under licensing and operating agreements on behalf of a Brazilian subsidiary of ArcelorMittal. The Brazilian facility is the largest cokemaking facility that we operate, with production capacity of approximately 1.7 million tons of coke per year. On March 18, 2013, we completed the transaction to form a cokemaking joint venture with VISA Steel Limited (“VISA Steel”) in India called VISA SunCoke Limited (“VISA SunCoke”). VISA SunCoke is comprised of a 440 thousand ton heat recovery cokemaking facility and the facility's associated steam generation units in Odisha, India. VISA SunCoke will sell approximately one-third of its coke production and all of its steam production to VISA Steel with the remainder of the coke production being sold on the spot market.

All of our U.S. coke sales are made pursuant to long-term take-or-pay agreements. These coke sales agreements have an average remaining term of approximately 11 years and contain pass-through provisions for costs we incur in the cokemaking process, including coal procurement costs, subject to meeting contractual coal-to-coke yields, operating and maintenance expenses, costs related to the transportation of coke to our customers, taxes (other than income taxes) and costs associated with changes in regulation. The coke sales agreement and energy sales agreement with AK Steel at our Haverhill facility are subject to early termination by AK Steel beginning in January 2014 under limited circumstances and provided that AK Steel has given at least two years prior notice of its intention to terminate the agreements and certain other conditions are met. In addition, AK Steel is required to pay a significant termination payment to us if it exercises its termination right prior to 2018. No other coke sales contract has an early termination clause.

The following table sets forth information about our cokemaking facilities:

Facility	Location	Customer	Year of Start Up	Contract Expiration	Number of Coke Ovens	Cokemaking Capacity (thousands of tons)	Use of Waste Heat
Owned and Operated:							
Jewell	Vansant, Virginia	ArcelorMittal	1962	2020	142	720	Partially used for thermal coal drying
Indiana Harbor	East Chicago, Indiana	ArcelorMittal	1998	2023	268	1,220	Heat for power generation
Haverhill Phase I	Franklin Furnace, Ohio	ArcelorMittal	2005	2020	100	550	Process steam
Phase II	Franklin Furnace, Ohio	AK Steel	2008	2022	100	550	Power generation
Granite City	Granite City, Illinois	U.S. Steel	2009	2025	120	650	Steam for power generation
Middletown ⁽¹⁾	Middletown, Ohio	AK Steel	2011	2032	100	550	Power generation
					830	4,240	
Operated:							
Vitória	Vitória, Brazil	ArcelorMittal	2007	2023	320	1,700	Steam for power generation
					1,150	5,940	
Equity Method Investment:							
VISA Suncoke ⁽²⁾	Odisha, India	Various	2013	NA	88	440	Steam for power generation
Total					1,238	6,380	

- (1) Cokemaking capacity represents stated capacity for production of blast furnace coke. The Middletown coke sales agreement provides for coke sales on a “run of oven” basis, which include both blast furnace coke and small coke. Middletown capacity on a “run of oven” basis is 578 thousand tons per year.
- (2) Cokemaking capacity represents 100 percent of VISA SunCoke, our 49 percent joint venture with VISA Steel.

We also own and operate coal mining operations in Virginia and West Virginia that sold approximately 1.5 million tons of metallurgical coal (including internal sales to our cokemaking operations) in 2012. Our mining area consists of nine active underground mines, one active surface mines and one active highwall mine, as well as three preparation plants and three load-out facilities in Russell and Buchanan Counties in Virginia and McDowell County, West Virginia.

Our Separation from Sunoco

On January 17, 2012 (the “Distribution Date”), we became an independent, publicly-traded company following our separation from Sunoco, Inc. (“Sunoco”). The Separation occurred in two steps (the “Separation”):

- We were formed as a wholly-owned subsidiary of Sunoco in 2010 . On July 18, 2011 (the “Separation Date”), Sunoco contributed the subsidiaries, assets and liabilities that were primarily related to its cokemaking and coal mining operations to us in exchange for shares of our common stock. As of such date, Sunoco owned 100 percent of our common stock. On July 26, 2011 , we completed an initial public offering (“IPO”) of 13,340,000 shares of our common stock, or 19.1 percent of our outstanding common stock. Following the IPO, Sunoco continued to own 56,660,000 shares of our common stock, or 80.9 percent of our outstanding common stock.
- On the Distribution Date, Sunoco made a pro-rata, tax free distribution (the “Distribution”) of the remaining shares of our common stock that it owned in the form of a special stock dividend to Sunoco shareholders. Sunoco shareholders received 0.53046456 of a share of common stock for every share of Sunoco common stock held as of the close of business on January 5, 2012 , the record date for the Distribution. After the Distribution, Sunoco ceased to own any shares of our common stock.

Recent Developments

- Formation of a Master Limited Partnership.** On January 24, 2013 , we completed the initial public offering of a master limited partnership (“the Partnership”) through the sale of 13,500,000 common units of limited partner interests in the Partnership in exchange for \$231.8 million of net proceeds (the “Partnership offering”). Upon the closing of the Partnership offering, we own the general partner of the Partnership, which consists of a 2.0 percent

ownership interest and incentive distribution rights, and own a 55.9 percent limited partner interest in the Partnership. The remaining 42.1 percent interest in the Partnership is held by public unitholders and reflected in noncontrolling interest on our Consolidated Statement of Income and Consolidated Balance Sheet beginning with the first quarter of 2013. The key assets of the Partnership are a 65 percent interest in each of our Haverhill and Middletown cokemaking and heat recovery facilities. As the general partner of the Partnership, we have the sole ability to direct the activities of the Partnership that most significantly impact its economic performance. We are also considered to be the primary beneficiary of the Partnership for accounting purposes and consolidate the results of the Partnership in our results. Income attributable to the noncontrolling interest in the Partnership was approximately \$5.8 million and \$17.4 million for the three and nine months ended September 30, 2013, respectively.

- **International growth strategy.** On March 18, 2013, we completed the transaction to form a joint venture with VISA Steel in India. VISA SunCoke is comprised of a 440 thousand ton heat recovery cokemaking facility and the facility's associated steam generation units in Odisha, India. We invested \$67.7 million to acquire a 49 percent interest in VISA SunCoke, with VISA Steel holding the remaining 51 percent. The investment is accounted for under the equity method under which investments are initially recorded at cost. We recognize our share of earnings in VISA SunCoke on a one-month lag. VISA SunCoke will sell approximately one-third of its production to VISA Steel with the remainder being sold on the spot market. The Company continues to pursue additional investment opportunities to grow our international footprint in India.
- **Coal handling transactions.** On August 30, 2013, the Partnership completed its acquisition of the assets and business operations of Lakeshore Coal Handling Corporation ("Lakeshore"), now called SunCoke Lake Terminal LLC ("Lake Terminal") for \$28.6 million. Prior to the acquisition, the entity that owns SunCoke's Indiana Harbor cokemaking operations was a customer of Lakeshore and held the purchase rights to Lakeshore. Concurrent with the closing of the transaction, the Partnership paid \$1.8 million to DTE Energy Company, the third party investor owning a 15 percent interest in the entity that owns Indiana Harbor in consideration for assigning its share of the Lake Terminal buyout rights to the Partnership. The Partnership recognized this payment in selling, general, and administrative expenses on the Consolidated Statement of Income during the period. We expect Adjusted EBITDA of approximately \$1.3 million from Lake Terminal during the balance of 2013.

Located in East Chicago, Indiana, Lake Terminal does not take possession of coal but instead derives its revenue by providing coal handling and blending services to its customers on a per ton basis. Lake Terminal has and will continue to provide coal handling and blending services to the Company's Indiana Harbor cokemaking operations. In September 2013, Lake Terminal and Indiana Harbor entered into a new 10-year contract with terms equivalent to those of an arm's-length transaction. The Partnership intends to maintain Lake Terminal's current operations and retain existing staff. The results of Lake Terminal have been included in the Consolidated Financial Statements since the acquisition date and are included in the new Coal Logistics segment.

On October 1, 2013, the Partnership completed its acquisition of 100 percent of the ownership interest in Kanawha River Terminals LLC ("KRT") for \$86.0 million utilizing \$46.0 million of available cash and \$40.0 million of borrowings under its existing revolving credit facility. KRT is a leading metallurgical and thermal coal blending and handling terminal service provider with the collective capacity to blend and transload more than 30 million tons of coal annually. We expect Adjusted EBITDA of approximately \$2.9 million from KRT during the balance of 2013. Beginning in the fourth quarter, the results of the Partnership's acquisition of KRT will be included in the new Coal Logistics segment.

- **ArcelorMittal contract extension.** Effective October 1, 2013, the Company entered into a 10-year extension of its existing Indiana Harbor coke sales agreement to provide 1.22 million tons of coke annually to ArcelorMittal. Key provisions of the extension agreement are substantially similar to the existing agreement, including continuing the pass-through of coal costs, reimbursement of operating and maintenance expenses subject to certain metrics, and an increased fixed fee per ton of coke produced to recognize the approximately \$85 million in new capital being deployed to refurbish and upgrade the Company's Indiana Harbor cokemaking facility. We expect an increase in Adjusted EBITDA of approximately \$4 million in the balance of 2013 related to the change in terms.
- **AK Steel Middletown outage.** We cooperated with AK Steel on its projected second half of 2013 coke needs after a blast furnace outage at their Middletown plant in the second quarter of 2013. Specifically, due to this outage, we agreed to manage production at our Haverhill cokemaking facility to be consistent with annual contract maximums and to temporarily scale back coke production at our Middletown facility to name plate capacity levels in the second half of 2013. In addition, we plan to provide AK Steel extended payment terms on December 2013 coke production of 50 thousand tons, resulting in a shift of approximately \$20 million in expected operating cash flow from 2013 to early 2014. The scale back in production had an estimated \$0.9 million effect on Adjusted EBITDA during the third quarter of 2013, and we expect a \$0.6 million effect on Adjusted EBITDA in the fourth quarter 2013.

Third Quarter Key Financial Results

- Revenues decreased 18.7 percent in the three months ended September 30, 2013 to \$390.5 million primarily due to the pass-through of lower coal prices in our cokemaking business and an approximate \$46 per ton decline in average coal sales price partly offset by higher coal sales volume.
- Net income attributable to stockholders decreased \$25.4 million for the three months ended September 30, 2013, to \$6.2 million, or \$0.09 per share, compared with the three months ended September 30, 2012. This decrease is due to the following items:
 - weakness in our Coal Mining segment;
 - increased income attributable to noncontrolling interest due to the creation of the Partnership;
 - higher depreciation related to capital expenditures as well as accelerated depreciation taken on certain assets at our Indiana Harbor facility due to a change in their estimated useful lives as a major refurbishment is underway; and
 - increased corporate expenses reflecting higher legal expenses and higher incentive stock compensation and public company costs associated with the Partnership.
- Adjusted EBITDA was \$50.7 million in the three months ended September 30, 2013 compared to \$73.7 million in the same period prior year, a decrease of \$23.0 million. This decrease was driven primarily by weakness in our Coal Mining segment.

Items Impacting Comparability

- **Middletown Cokemaking Operations.** We commenced operations at our Middletown, Ohio cokemaking facility in October 2011 and reached full production during the first quarter of 2012. In the nine months ended September 30, 2013, the Middletown cokemaking facility produced 463 thousand tons of coke and contributed \$198.9 million and \$58.3 million to revenues and Adjusted EBITDA, respectively. This compares to production of 449 thousand tons of coke and contributions of \$217.2 million and \$42.3 million to revenues and Adjusted EBITDA, respectively, in the nine months ended September 30, 2012. Middletown revenue and Adjusted EBITDA for the nine months ended September 30, 2013 benefited from increased operating cost recovery of \$4.9 million due to the change from a fixed operating fee per ton to a budgeted amount per ton based on the expected full recovery of operational and maintenance costs. Middletown Adjusted EBITDA for the nine months ended September 30, 2012 included higher costs and lower than expected coal-to-coke yield performance of \$7.0 million, of which \$4.0 million related to start up activities.
- **Interest Expense, net.** In connection with the closing of the Partnership offering in the first quarter of 2013, the Partnership repaid \$225.0 million of our seven-year term loan ("Term Loan") and we entered into an amendment to our credit agreement ("Credit Agreement"). The weighted average interest rate for borrowings outstanding under the Term Loan during 2013 and 2012 was 4.07 percent. In conjunction with the repayment, we incurred a charge of approximately \$2.9 million representing the write-off of unamortized debt issuance costs and original issue discount related to the portion of the Term Loan that was extinguished.

In addition, with the closing of the Partnership offering, the Partnership issued \$150.0 million of senior notes ("Partnership Notes") that have an interest rate of 7.375 percent. The Partnership incurred costs of \$3.7 million related to the issuance of the Partnership Notes relating to fees paid to lenders and certain third parties, of which \$0.8 million were recognized immediately. Comparability of interest expense between periods was affected by higher interest rates partially offset by lower debt balances after the closing of the Partnership offering and related transactions.

- **Indiana Harbor Cokemaking Operations.** In the fourth quarter of 2011, we clarified the interpretation of certain contract and billing items with our customer. In the nine months ended September 30, 2012, the Company recorded a \$2.8 million charge for a reduction in coke inventory in conjunction with work performed to address the contract and billing issues.

During 2011, in preparation for negotiation of the extension of the Company's existing coke sales agreement, we conducted an engineering study to identify major maintenance projects necessary to preserve the production capacity of the facility. We began the project work in July 2012 and spent approximately \$14 million in 2012. We expect to spend another \$58 million in 2013 and anticipate spending up to \$85 million in total on the project. Effective October 1, 2013, the Company entered into a 10-year extension of its existing Indiana Harbor coke sales agreement, which contains an increased fixed fee per ton of coke produced to recognize the additional capital being deployed. Additionally, we revised the estimated useful life of certain assets being replaced as part of the project, which resulted in additional depreciation of \$2.5 million in 2012, or \$0.04 per common share. The full year impact on 2013 is estimated to be approximately \$10.9 million, or \$0.16 per common share, of which we recorded accelerated depreciation of approximately \$1.7 million and \$9.0 million in the three and nine months ended September 30, 2013, respectively. While we expect to be substantially complete with oven repairs by the end of 2013, the installation of

new equipment will be completed in the second half of 2014. Our customer has also notified us of a potential blast furnace outage in the first half of 2014. Accordingly, we expect to begin realizing the full benefits of the refurbishment in 2015.

- **Income Taxes.** During the nine months ended September 30, 2013, we recorded a benefit of \$1.7 million in provision-to-return adjustments as well as recorded a charge of \$0.4 million associated with local income taxes due for our Middletown operations. We also recorded tax expense of \$1.4 million for an adjustment to our valuation allowance associated with deferred tax assets related to state and local taxes. Additionally, as part of provisions of our tax sharing agreement with Sunoco, we recognized \$1.7 million of income tax expense to settle potential obligations. We will continue to monitor obligations under the provisions of the tax sharing agreement with Sunoco and will record adjustments as an income tax expense with a corresponding payable due to Sunoco. Prior to December 31, 2012, amounts due to Sunoco were reflected as a reduction to SunCoke Energy's equity accounts. We previously estimated our effective tax rate for 2013 to be between 7 percent and 14 percent. As a result of these items, we estimate our full-year effective tax rate to be in the range of 14 percent to 20 percent.

Results of Operations

The following table sets forth amounts from the Consolidated Statements of Income for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30	
	2013	2012	2013	2012
	(Dollars in millions)			
Revenues				
Sales and other operating revenue	\$ 389.9	\$ 480.1	\$ 1,245.0	\$ 1,421.4
Other income, net	0.6	0.4	3.1	1.3
Total revenues	390.5	480.5	1,248.1	1,422.7
Costs and operating expenses				
Cost of products sold and operating expenses	316.5	388.9	1,031.3	1,174.6
Selling, general and administrative expenses	23.5	20.0	65.9	61.2
Depreciation, depletion and amortization	23.2	18.9	70.5	57.5
Total costs and operating expenses	363.2	427.8	1,167.7	1,293.3
Operating income	27.3	52.7	80.4	129.4
Interest expense, net	12.1	12.2	40.0	36.0
Income before income tax expense and loss from equity method investment	15.2	40.5	40.4	93.4
Income tax expense	0.6	7.6	6.5	19.9
Loss from equity method investment	2.3	—	2.5	—
Net income	12.3	32.9	31.4	73.5
Less: Net income attributable to noncontrolling interests	6.1	1.3	17.4	2.3
Net income attributable to SunCoke Energy, Inc.	\$ 6.2	\$ 31.6	\$ 14.0	\$ 71.2

Revenues. Our total revenues, net of sales discounts, were \$390.5 million and \$480.5 million for the three months ended September 30, 2013 and 2012, respectively and \$1,248.1 million and \$1,422.7 million for the nine months ended September 30, 2013 and 2012, respectively. The decreases were due primarily to the pass-through of lower coal prices within our Domestic Coke segment as well as an approximately \$46 per ton decrease in coal sales prices in our Coal Mining segment and lower volumes at Indiana Harbor. These decreases were partially offset by increased operating expense recovery in our Domestic Coke segment, specifically at our Middletown facility.

Costs and Operating Expenses. Total operating expenses were \$363.2 million and \$427.8 million for the three months ended September 30, 2013 and 2012, respectively and were \$1,167.7 million and \$1,293.3 million for the nine months ended September 30, 2013 and 2012, respectively. The decreases in cost of products sold and operating expenses were driven primarily by reduced coal costs in our Domestic Coke segment and reduced mining costs in our Coal Mining segment due to the benefit of prior years investment in mine planning, equipment, training, idling of certain mines and cost containment initiatives. These decreases were partially offset by public company costs of the Partnership and acquisition costs. Additionally, depreciation, depletion and amortization expense increased due primarily to increased capital expenditures as well as accelerated depreciation recorded in connection with the refurbishment of our Indiana Harbor facility.

Interest Expense, Net. Interest expense, net was \$12.1 million and \$12.2 million for the three months ended September 30, 2013 and 2012, respectively and \$40.0 million and \$36.0 million for the nine months ended September 30, 2013 and 2012, respectively. Concurrent with the IPO of the Partnership, we issued \$150.0 million in Partnership Notes with an interest rate of 7.375 percent and repaid \$225.0 million of the Term Loan. The weighted average interest rate for borrowings outstanding under the Term Loan was 4.07 percent during 2013 and 2012.

The increase of \$4.0 million for the nine months ended September 30, 2013 was due primarily to a \$2.9 million charge incurred in the nine months ended September 30, 2013 for the write-off of unamortized debt issuance costs and original issue discount related to the portion of the term loan extinguished in conjunction with the Partnership offering as well as \$0.8 million of debt issuance costs recognized immediately related to the issuance of \$150.0 million of Partnership Notes. The remaining increase of \$0.3 million was primarily due to higher interest rates partially offset by lower debt balances after the closing of the Partnership offering and related transactions.

Income Taxes . Income tax expense decreased \$7.0 million to \$0.6 million for the three months ended September 30, 2013 compared to \$7.6 million for the corresponding period of 2012, and decreased \$13.4 million to \$6.5 million for the nine months ended September 30, 2013 compared to \$19.9 million for the corresponding period of 2012. The decrease was due primarily to lower overall earnings as well as higher earnings attributable to noncontrolling interests resulting from the Partnership offering in January 2013, partially offset by lower nonconventional fuel tax credits due to the expiration of the Haverhill credits. Also, for the three months ended September 30, 2013, we finalized our 2012 federal income tax returns and recorded a favorable provision-to-return adjustment of \$1.7 million as compared to a favorable adjustment of \$0.6 million in the prior year period. Additionally for the nine months ended September 30, 2013, the decreases were partially offset by expense of \$1.4 million in additional valuation allowances associated with state and local taxes, \$1.7 million to settle potential obligations under the provisions of our tax sharing agreement with Sunoco and \$0.4 million related to prior period adjustments associated with local income taxes due for our Middletown operations, none of which impacted the prior year period.

Loss from Equity Method Investment. We recognize our share of earnings in VISA SunCoke on a one-month lag and began recognizing such earnings in the second quarter of 2013. Loss from equity method investment of \$2.3 million and \$2.5 million in the three and nine months ended September 30, 2013, respectively, represented our proportionate share of VISA SunCoke losses and included foreign exchange losses on coal purchases of \$2.4 million for the three and nine months ended September 30, 2013. Performance in the period was further affected by several factors, including iron ore mining restrictions in India, which limited steel production, a weak coke pricing environment due to increased Chinese coke imports, and shipping delays and trade finance challenges related to securing our coal supply.

Noncontrolling Interest. Income attributable to noncontrolling interest was \$6.1 million and \$1.3 million for the three months ended September 30, 2013 and 2012, respectively and was \$17.4 million and \$2.3 million for the nine months ended September 30, 2013 and 2012, respectively. The increases are primarily due to the IPO of the Partnership during the first quarter of 2013. Income attributable to the noncontrolling interest in the Partnership was approximately \$5.8 million for the three months ended September 30, 2013 and \$17.4 million for the nine months ended September 30, 2013. These increases were partially offset by decreased performance at Indiana Harbor, which reduced noncontrolling interest by approximately \$0.9 million and \$2.2 million for the three and nine months ended September 30, 2013, respectively, compared to the same period the prior year.

Results of Reportable Business Segments

We report our business results through five segments:

- Domestic Coke consists of our Jewell, Indiana Harbor, Haverhill, Granite City and Middletown cokemaking and heat recovery operations located in Vansant, Virginia, East Chicago, Indiana, Franklin Furnace, Ohio, Granite City, Illinois, and Middletown, Ohio, respectively.
- Brazil Coke consists of our operations in Vitória, Brazil, where we operate a cokemaking facility for a Brazilian subsidiary of ArcelorMittal;
- India Coke consists of our cokemaking joint venture with Visa Steel in Odisha, India.
- Coal Mining consists of our metallurgical coal mining activities conducted in Virginia and West Virginia.
- Coal Logistics consists of our coal handling and blending services in East Chicago, Indiana and will include KRT which closed on October 1, 2013.

Management believes Adjusted EBITDA is an important measure of operating performance and is used as the primary basis for the Chief Operating Decision Maker (CODM) to evaluate the performance of each of our reportable segments. Adjusted EBITDA should not be considered a substitute for the reported results prepared in accordance with U.S. GAAP. See “Non-GAAP Financial Measures” near the end of this Item.

Segment Financial and Operating Data

The following tables set forth the sales and other operating revenues and Adjusted EBITDA of our segments and operating data for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
(Dollars in millions)				
Sales and other operating revenues:				
Domestic Coke	\$ 364.8	\$ 462.9	\$ 1,168.8	\$ 1,356.6
Brazil Coke	8.2	8.3	25.9	27.3
Coal Mining	16.8	8.9	50.2	37.5
Coal Mining intersegment sales	35.7	56.2	100.8	152.5
Coal Logistics	0.1	—	0.1	—
Coal Logistics intersegment sales	1.0	—	1.0	—
Elimination of intersegment sales	(36.7)	(56.2)	(101.8)	(152.5)
Total	<u>\$ 389.9</u>	<u>\$ 480.1</u>	<u>\$ 1,245.0</u>	<u>\$ 1,421.4</u>
Adjusted EBITDA ⁽¹⁾:				
Domestic Coke	\$ 64.3	\$ 69.8	\$ 186.7	\$ 187.0
Brazil Coke	1.5	0.9	4.7	1.7
India Coke	(2.1)	—	(1.3)	—
Coal Mining	(2.6)	10.7	(9.8)	27.4
Coal Logistics	0.7	—	0.7	—
Corporate and Other	(11.1)	(7.7)	(25.6)	(20.1)
Total	<u>\$ 50.7</u>	<u>\$ 73.7</u>	<u>\$ 155.4</u>	<u>\$ 196.0</u>
Coke Operating Data:				
Domestic Coke capacity utilization (%)	101	103	101	103
Domestic Coke production volumes (thousands of tons) ⁽²⁾	1,081	1,097	3,213	3,260
Domestic Coke sales volumes (thousands of tons)	1,084	1,116	3,216	3,268
Domestic Coke Adjusted EBITDA per ton ⁽³⁾	\$ 59.32	\$ 62.54	\$ 58.05	\$ 57.22
Brazilian Coke production—operated facility (thousands of tons)	221	310	654	970
Indian Coke sales (thousands of ton) ⁽⁴⁾	97	—	149	—
Coal Operating Data ⁽⁵⁾:				
Coal sales volumes (thousands of tons):				
Internal use	302	322	860	862
Third parties	131	70	403	268
Total	<u>433</u>	<u>392</u>	<u>1,263</u>	<u>1,130</u>
Coal production (thousands of tons)	351	349	1,067	1,125
Purchased coal (thousands of tons)	110	10	219	33
Coal sales price per ton (excludes transportation costs) ⁽⁶⁾	\$ 119.64	\$ 165.17	\$ 118.12	\$ 167.71
Coal cash production cost per ton ⁽⁷⁾	\$ 122.80	\$ 142.56	\$ 122.23	\$ 143.12
Purchased coal cost per ton ⁽⁸⁾	\$ 109.52	\$ 106.12	\$ 108.43	\$ 88.09
Total coal production cost per ton ⁽⁹⁾	\$ 135.61	\$ 145.42	\$ 134.13	\$ 150.52

(1) See definition of Adjusted EBITDA and reconciliation to GAAP at the end of this Item.

(2) Excludes 22 thousand tons of consigned coke sales in the three and nine months ended September 30, 2013 , and 15 thousand and 42 thousand tons of consigned coke sales in the three and nine months ended September 30, 2012 , respectively.

(3) Reflects Domestic Coke Adjusted EBITDA divided by Domestic Coke sales volumes.

(4) Represents 100% of VISA SunCoke sales volumes.

(5) Includes production from Company and contract-operated mines.

- (6) Includes sales to affiliates.
- (7) Mining and preparation costs, excluding depreciation, depletion and amortization, divided by coal production volume. Prior periods have been restated for a change in allocation methodology which resulted in additional costs being allocated to purchased coal.
- (8) Costs of purchased raw coal divided by purchased coal volume. Prior periods have been restated for a change in allocation methodology which resulted in additional costs being allocated to purchased coal.
- (9) Cost of mining and preparation costs, purchased raw coal costs, and depreciation, depletion and amortization divided by coal sales volume. Depreciation, depletion and amortization per ton were \$12.93 and \$10.94 for the three months ended September 30, 2013 and 2012, respectively and \$12.59 and \$11.19 for the nine months ended September 30, 2013 and 2012, respectively.

Analysis of Segment Results

Three Months Ended September 30, 2013 compared to Three Months Ended September 30, 2012

Domestic Coke

Sales and Other Operating Revenue

Sales and other operating revenue decreased \$98.1 million, or 21.2 percent, to \$364.8 million for the three months ended September 30, 2013 compared to \$462.9 million for the three months ended September 30, 2012. The decrease was mainly attributable to the pass-through of lower coal prices, which contributed \$85.6 million to the decrease. Lower overall volumes at our domestic cokemaking facilities resulted in a \$13.3 million net decrease in revenues. Of this decrease approximately \$7.2 million was related to a decrease of 17 thousand tons at Indiana Harbor due in part to operational inefficiencies resulting from the ongoing refurbishment project. Lower breeze sales further decreased revenues \$2.7 million. These decreases were offset by revenue increases of \$3.5 million which were primarily due to improvement in operating cost recovery at Middletown related to the change from a fixed operating fee per ton to a budgeted amount per ton based on the full recovery of expected operation maintenance costs.

Adjusted EBITDA

Domestic Coke Adjusted EBITDA decreased \$5.5 million, or 7.9 percent, to \$64.3 million for the three months ended September 30, 2013 compared to \$69.8 million in the same period of 2012. Adjusted EBITDA was adversely impacted by a decrease in volumes of 33 thousand tons and lower coal-to-coke yields, which contributed \$1.8 million and \$1.1 million, respectively, to the decrease as compared to the prior period. Our Indiana Harbor facility, which is undergoing a significant refurbishment, was the primary driver in the volume and coal-to-coke yield decreases. Further decreasing Adjusted EBITDA by \$1.4 million was a decrease in the recovery of operating expenses at our Indiana Harbor and Granite City facilities due to higher repairs and maintenance expenses, offset partly by an improvement at our Middletown facility. In 2013, the recovery mechanism at our Middletown facility was changed from a fixed operating fee per ton to a budgeted amount per ton which was based on the anticipated full recovery of expected operating costs. The remaining decrease in Adjusted EBITDA of \$1.2 million was primarily related to lower breeze sales.

Depreciation expense, which was not included in segment profitability, increased \$2.7 million, from \$14.1 million in 2012 to \$16.8 million in 2013, primarily due to accelerated depreciation taken in conjunction with the refurbishment of our Indiana Harbor facility. We revised the estimated useful life of certain assets at our Indiana Harbor facility. The change in estimated useful life resulted in additional depreciation of \$1.7 million recorded during the three months ended September 30, 2013, or \$0.02 per common share. The impact on the full year 2013 is estimated to be approximately \$10.9 million, or \$0.16 per common share.

Brazil Coke

Sales and Other Operating Revenue

Sales and other operating revenue decreased \$0.1 million, or 1.2 percent, to \$8.2 million for the three months ended September 30, 2013 compared to \$8.3 million for the same period of 2012. This decrease is the effect of lower volumes of 89 thousand tons, resulting in decreased revenues of \$2.3 million, offset by an increase in price which contributed an additional \$2.2 million of revenue and was primarily driven by a minimum guarantee fee arrangement that we have with our customer.

Adjusted EBITDA

Adjusted EBITDA in the Brazil Coke segment increased \$0.6 million , to \$1.5 million for the three months ended September 30, 2013 compared to \$0.9 million for the same period of 2012 . The increase is primarily due to favorable comparison to the prior year period, which contained a higher allocation of corporate costs.

Depreciation expense, which was not included in segment profitability, was insignificant in both periods.

India Coke

We recognize our 49 percent share of earnings in VISA SunCoke on a one-month lag and began recognizing such earnings in the second quarter of 2013. Our share of Adjusted EBITDA during the three months ended September 30, 2013 was a loss of \$2.1 million and included a negative foreign currency impact \$2.4 million on imported coal purchases. Adjusted EBITDA was a loss of \$45 per ton of which the negative foreign currency impact contributed a loss of \$51 per ton. Performance in the period was further affected by several factors including iron ore mining restrictions in India which limited steel production, a weak coke pricing environment due to increase Chinese coke imports, and shipping delays and trade finance challenges related to securing our coal supply. We anticipate these difficulties will continue through the fourth quarter and we expect break even Adjusted EBITDA for the full year. Our focus remains on stabilizing coal supply and managing the operations together with our partner.

Coal Mining

Sales and Other Operating Revenue

Total sales and other operating revenue, including intersegment sales, decreased by \$12.6 million , or 19.4 percent , to \$52.5 million for the three months ended September 30, 2013 compared to \$65.1 million for the same period of 2012 . The decrease in sales and other operating revenue is due to a decrease in average coal sales price per ton of \$45.53 from \$165.17 for the three months ended September 30, 2012 to \$119.64 for the same period of 2013 . The effect of the decrease in sales price was partially offset by the additional 41 thousand tons sold during the three months ended September 30, 2013 compared to the same period in 2012 as a result of increased sales of purchased coal.

Third party sales increased \$7.9 million from \$8.9 million for the three months ended September 30, 2012 to \$16.8 million for the three months ended September 30, 2013 . The increase is primarily related to increased volumes of approximately 61 thousand tons.

Sales and other operating revenue is historically generated largely from sales of coal to the Jewell cokemaking facility and our other domestic cokemaking facilities. Intersegment sales decreased \$20.5 million , or 36.5 percent , to \$35.7 million for the three months ended September 30, 2013 compared to \$56.2 million for the same period of 2012 . This decrease was primarily due to a decrease in coal sales price per ton of \$60.77 from \$179.30 for the three months ended September 30, 2012 to \$118.53 for the three months ended September 30, 2013 as well as a decrease in intersegment sales volume of 20 thousand tons from 322 thousand tons for the three months ended September 30, 2012 to 302 thousand for the same period of 2013 .

Adjusted EBITDA

Adjusted EBITDA decreased \$13.3 million , to a loss of \$2.6 million for the three months ended September 30, 2013 from income of \$10.7 million for the same period in 2012 and was unfavorably impacted by the decline in average coal sales price discussed above. This was partly offset by lower cash production costs of approximately \$20 per ton, reflecting the success of our coal action plan initiatives, which includes idling mines, reducing staff, upgrading equipment and installing a new cyclone system in our coal preparation plant.

The combined impact of these factors, partially offset by the absence of a \$3.2 million favorable fair value adjustment on the HKCC contingent consideration in the prior year period, resulted in coal production costs decreasing from \$145.42 per ton for the three months ended September 30, 2012 to \$135.61 per ton for the three months ended September 30, 2013 as well as coal cash production costs decreasing from \$142.56 per ton for the three months ended September 30, 2012 to \$122.80 per ton in the same periods of 2013 .

Depreciation expense, which was not included in segment profitability, increased \$1.4 million , from \$4.2 million for the three months ended September 30, 2012 to \$5.6 million for the three months ended September 30, 2013 due primarily to capital expenditures for mining equipment during 2012.

Coal Logistics

Lake Terminal was acquired on August 30, 2013. Inclusive of intersegment sales, sales and other operating revenue on 136 thousand tons handled were \$1.1 million and Adjusted EBITDA was \$0.7 million during the three months ended September 30, 2013 .

Corporate and Other

Corporate expenses increased \$3.4 million to \$11.1 million for the three months ended September 30, 2013 compared to \$7.7 million in the same period of 2012 . The increase in corporate expenses was due to public company costs associated with our master limited partnership and acquisition related costs.

Depreciation expense, which was not included in segment profitability, was insignificant in both periods.

Nine Months Ended September 30, 2013 compared to Nine Months Ended September 30, 2012

Domestic Coke

Sales and Other Operating Revenue

Sales and other operating revenue decreased \$187.8 million , or 13.8 percent , to \$1,168.8 million for the nine months ended September 30, 2013 compared to \$1,356.6 million for the nine months ended September 30, 2012 . The decrease was mainly attributable to the pass-through of lower coal prices, which contributed \$175.2 million to the decrease. Lower volumes at Indiana Harbor of approximately 68 thousand tons contributed \$29.2 million to the decrease and were due in part to operational inefficiencies resulting from the on-going refurbishment project. These volume decreases were partially offset by a 15 thousand ton increase in volumes at our remaining domestic cokemaking facilities, contributing approximately \$6.8 million to revenues as well as increased energy sales of \$1.6 million . The remaining increase of \$8.2 million was primarily due to increased operating cost recovery, nearly half of which was related to the change from a fixed operating fee per ton to a budgeted amount per ton based on the full recovery of expected operation maintenance costs at our Middletown facility.

Adjusted EBITDA

Domestic Coke Adjusted EBITDA decreased \$0.3 million , or 0.2 percent , to \$186.7 million for the nine months ended September 30, 2013 compared to \$187.0 million in the same period of 2012 . Adjusted EBITDA was adversely impacted by a lower recovery of operating expenses and a decrease in volumes, which contributed \$7.5 million and \$2.7 million, respectively, to the decrease as compared to the prior period. Our Indiana Harbor facility, which is undergoing a significant refurbishment, was the primary driver in the recovery and volume decreases. These decreases were partially offset by improved coal-to-coke yields and increased energy sales, which improved Adjusted EBITDA by \$8.3 million and \$1.6 million, respectively.

Depreciation expense, which was not included in segment profitability, increased \$9.4 million , from \$43.0 million in 2012 to \$52.4 million in 2013 , primarily due to accelerated depreciation taken in conjunction with the refurbishment of our Indiana Harbor facility. We revised the estimated useful life of certain assets resulting in additional depreciation of \$9.0 million recorded during the nine months ended September 30, 2013 , or \$0.13 per common share. The impact on the full year 2013 is estimated to be approximately \$10.9 million , or \$0.16 per common share. The prior year period also included accelerated depreciation of \$1.0 million, or \$0.02 per common share at our Haverhill facility.

Brazil Coke

Sales and Other Operating Revenue

Sales and other operating revenue decreased \$1.4 million , or 5.1 percent , to \$25.9 million for the nine months ended September 30, 2013 compared to \$27.3 million for the same period of 2012 due primarily to the net effect of a decrease in volumes of 316 thousand tons, decreasing operating revenues by about \$8.9 million, offset by an increase in price of \$7.5 million which was driven by a minimum fee arrangement that we have with our customer.

Adjusted EBITDA

Adjusted EBITDA in the Brazil Coke segment increased \$3.0 million , to \$4.7 million for the nine months ended September 30, 2013 compared to \$1.7 million for the same period of 2012 . The increase is primarily due to favorable comparison to the prior year period, which contained a higher allocation of corporate costs.

Depreciation expense, which was not included in segment profitability, was insignificant in both periods.

India Coke

We recognize our share of earnings in VISA SunCoke on a one-month lag and began recognizing such earnings in the second quarter of 2013. Our 49 percent share of Adjusted EBITDA during the nine months ended September 30, 2013 was a loss of \$1.3 million and included a negative foreign currency impact of \$2.4 million on imported coal purchases. Adjusted EBITDA was a loss of \$18 per ton of which the negative foreign currency impact contributed a loss of \$33 per ton. Performance in the period was affected by several factors including iron ore mining restrictions in India which limited steel production, a weak coke pricing environment due to increase Chinese coke imports, and shipping delays and trade finance challenges related to securing our coal supply. We anticipate these difficulties will continue through the fourth quarter and we expect break even Adjusted EBITDA for the full year. Our focus remains on stabilizing coal supply and managing the operations together with our partner.

Coal Mining

Sales and Other Operating Revenue

Total sales and other operating revenue, including intersegment sales, decreased by \$39.0 million , or 20.5 percent , to \$151.0 million for the nine months ended September 30, 2013 compared to \$190.0 million for the same period of 2012 . The decrease in sales and other operating revenue is due to a decrease in average coal sales price per ton of \$49.59 from \$167.71 for the nine months ended September 30, 2012 to \$118.12 for the same period of 2013 , reflecting overall lower coal sales prices.

Third party sales increased \$12.7 million from \$37.5 million for the nine months ended September 30, 2012 to \$50.2 million for the nine months ended September 30, 2013 . The increase is primarily related to increased overall third party sales volumes of 135 thousand tons, or 50.4 percent offset by decreased sale prices for our hi-volatile and thermal coal. Sale prices decreased \$17.94 per ton from \$137.85 per ton for nine months ended September 30, 2012 to \$119.91 per ton for the nine months ended September 30, 2013 .

Sales and other operating revenue is historically generated largely from sales of coal to the Jewell cokemaking facility and our other domestic cokemaking facilities. Intersegment sales decreased \$51.7 million, or 33.9 percent , to \$100.8 million for the nine months ended September 30, 2013 compared to \$152.5 million for the same period of 2012 due primarily to a decrease in coal sales price per ton of \$62.02 from \$179.30 for the nine months ended September 30, 2012 to \$117.28 for the nine months ended September 30, 2013 .

Adjusted EBITDA

Adjusted EBITDA decreased \$37.2 million , to a loss of \$9.8 million for the nine months ended September 30, 2013 from a gain of \$27.4 million for the same period of 2012 . Adjusted EBITDA decreased for the nine months ended September 30, 2013 due primarily to the decline in average coal selling price discussed above and a charge of \$0.9 million related to a reduction in force. This decrease was partially offset by increased tons sold and lower cash production costs of approximately \$20 per ton, reflecting the success of our coal action plan initiatives, which includes idling mines, reducing staff, upgrading equipment and installing a new cyclone system in our coal preparation plant.

The combined impact of these factors partially offset by the absence of a \$3.9 million favorable fair value adjustment on the HKCC contingent consideration in the prior year period resulted in coal production costs decreasing from \$150.52 per ton for the nine months ended September 30, 2012 to \$134.13 per ton for the nine months ended September 30, 2013 and coal cash production costs decreasing from \$143.12 per ton in 2012 to \$122.23 per ton in 2013.

Depreciation expense, which was not included in segment profitability, increased \$3.3 million , from \$12.6 million for the nine months ended September 30, 2012 to \$15.9 million for the nine months ended September 30, 2013 due primarily to capital expenditures for mining equipment during 2012.

Coal Logistics

Lake Terminal was acquired on August 30, 2013. Inclusive of intersegment sales, sales and other operating revenue on 136 thousand tons handled were \$1.1 million and Adjusted EBITDA was \$0.7 million during the nine months ended September 30, 2013 .

Corporate and Other

Corporate expenses increased \$5.5 million to \$25.6 million for the nine months ended September 30, 2013 compared to \$20.1 million in the same period of 2012 . The increase in corporate expenses for the nine months ended September 30, 2013 was due to acquisition related costs and public company costs associated with our master limited partnership.

Depreciation expense, which was not included in segment profitability, remained consistent at \$1.7 million for the nine months ended September 30, 2013 compared to the same period in 2012 .

Liquidity and Capital Resources

Concurrent with the IPO, SunCoke Energy entered into a credit agreement ("Credit Agreement") that provides for a seven-year term loan ("Term Loan") in a principal amount of \$300.0 million . The Credit Agreement also provides for up to \$75.0 million in uncommitted incremental facility term loans ("Incremental Facilities") that are available subject to the satisfaction of certain conditions. Concurrent with the IPO, SunCoke Energy issued \$ 400.0 million aggregate principal amount of senior notes (the "Senior Notes") that bear interest at a rate of 7.625 percent per annum and will mature in 2019 with all principal paid at maturity.

In connection with the closing of the Partnership offering, we received net proceeds from the sale of common units of \$232.0 million and we repaid \$225.0 million of our Term Loan and amended our Credit Agreement. The term of the Credit Agreement was extended to January 2018 and we incurred debt issuance costs of \$0.7 million related to this transaction. As of September 30, 2013 , there was \$45.0 million of capacity under the Incremental Facilities. The Credit Agreement also provides for a \$150.0 million revolving facility ("Revolving Facility") that can be used to finance capital expenditures, acquisitions, working capital needs and for other general corporate purposes. As of September 30, 2013 , the Revolving Facility had no draws and letters of credit outstanding of \$2.1 million , leaving \$147.9 million available subject to the terms of the Credit Agreement.

In addition, with the closing of the Partnership offering, the Partnership issued \$150.0 million of senior notes ("Partnership Notes"). The Partnership Notes have an interest rate of 7.375 percent and mature on February 1, 2020 . The Partnership may redeem some or all of the Partnership Notes prior to February 1, 2016 by paying a "make-whole" premium. The Partnership also may redeem some or all of the Partnership Notes on or after February 1, 2016 at specified redemption prices. In addition, prior to February 1, 2016 , the Partnership may redeem up to 35 percent of the Partnership Notes using the proceeds of certain equity offerings. If the Partnership sells certain of its assets or experiences specific kinds of changes in control, subject to certain exceptions, the Partnership must offer to purchase the Partnership Notes. Net proceeds from the issuance of the Partnership Notes were \$146.3 million , which was net of debt issuance costs of \$3.7 million . In conjunction with the closing of the Partnership offering, we also entered into a \$100.0 million revolving credit facility. We incurred issuance costs of \$2.2 million in conjunction with entering into our new revolving credit facility. This credit facility was amended on August 28, 2013 , increasing the total aggregate commitments from lenders to \$150.0 million and now also providing for up to \$100.0 million in uncommitted incremental revolving capacity, subject to the satisfaction of certain conditions. We paid \$0.9 million in fees related to the credit facility amendment. The fees have been included in deferred charges and other assets in the Consolidated Balance Sheet, which will be amortized over the life of the facility. As of September 30, 2013 , this credit facility had letters of credit outstanding of \$0.7 million , leaving \$149.3 million available. Of the total debt issuance costs associated with these facilities, approximately \$0.6 million were paid during 2012.

During the nine months ended September 30, 2013, the Partnership paid two quarterly cash distributions totaling \$23.3 million , of which \$9.8 million was paid to public unitholders of the Partnership. On October 22, 2013, the Partnership declared a quarterly cash distribution totaling \$13.9 million, of which \$5.8 million will be paid to public unitholders of the Partnership. The distribution will be paid on November 29, 2013 , to unitholders of record on November 15, 2013 .

Our primary sources of liquidity are cash on hand, cash from operations and borrowings under the debt financing arrangements described above. We believe these sources will be sufficient to fund our planned operations, including capital expenditures and stock repurchases.

The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2013 and 2012 :

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Net cash provided by operating activities	\$ 87.6	\$ 77.8
Net cash used in investing activities	(191.9)	(40.6)
Net cash provided by (used in) financing activities	133.9	(6.9)
Net increase in cash and cash equivalents	\$ 29.6	\$ 30.3

Cash Flows from Operating Activities

For the nine months ended September 30, 2013, net cash provided by operating activities was \$87.6 million compared to net cash provided by operating activities of \$77.8 million in the corresponding period of 2012. The increase in operating cash flow was primarily attributable to a decrease in working capital largely due to timing of accounts payable. Additionally, the prior year period operating cash flows were lower by \$23 million due to the timing of a customer payment that was received one day subsequent to quarter end. These increases in cash flow over the prior year period were partially offset by remittance of \$29.9 million of accrued sales discounts to our customers during the nine months ended September 30, 2013.

Cash Flows from Investing Activities

Cash used in investing activities of \$191.9 million increased \$151.3 million for the nine months ended September 30, 2013, as compared to the corresponding period of 2012. The current year period includes expenditures of \$67.7 million for our investment in the Indian joint venture and \$28.6 million for the acquisition of Lake Terminal. Capital expenditures of approximately \$55.0 million related primarily to the refurbishment of our Indiana Harbor facility and environmental remediation projects further contributed to the increase. For a more detailed discussion of our capital expenditures, see “Capital Requirements and Expenditures” below.

Cash Flows from Financing Activities

For the nine months ended September 30, 2013, net cash provided by financing activities was \$133.9 million compared to net cash used in financing activities of \$6.9 million for the nine months ended September 30, 2012. During the nine months ended September 30, 2013, we received proceeds of \$237.8 million from the issuance of 13,500,000 common units in SunCoke Energy Partners, L.P., \$150.0 million from the issuance of the Partnership Notes, and \$0.9 million from stock option exercises. These increases were partially offset by the repayment of \$225.0 million of our Term Loan, debt issuance costs of \$6.9 million, the repurchase of shares for \$10.9 million and a cash distribution to noncontrolling interest of \$12.0 million.

Capital Requirements, Expenditures and Investments

Capital Requirements and Expenditures

Our cokemaking and coal mining operations are capital intensive, requiring significant investment to upgrade or enhance existing operations and to meet environmental and operational regulations. The level of future capital expenditures will depend on various factors, including market conditions and customer requirements, and may differ from current or anticipated levels. Material changes in capital expenditure levels may impact financial results, including but not limited to the amount of depreciation, interest expense and repair and maintenance expense.

Our capital requirements have consisted, and are expected to consist, primarily of:

- ongoing capital expenditures required to maintain equipment reliability, the integrity and safety of our coke ovens, steam generators and coal mines and to comply with environmental regulations;
- environmental remediation capital expenditures required to implement design changes to ensure that our existing facilities operate in accordance with existing environmental permits; and
- expansion capital expenditures to acquire and/or construct complementary assets to grow our business and to expand existing facilities, such as projects that increase coal production from existing mines and increase coke production from existing facilities, as well as capital expenditures made to enable the renewal of a coke sales agreement and on which we expect to earn a reasonable return.

The following table summarizes ongoing, environmental remediation and expansion capital expenditures:

	Nine Months Ended September 30,	
	2013	2012
	(Dollars in millions)	
Ongoing capital	\$ 30.2	\$ 39.7
Environmental remediation capital	14.7	—
Expansion capital ⁽¹⁾ :		
Indiana Harbor	50.7	—
Coal Mining	—	0.9
Total	<u>\$ 95.6</u>	<u>\$ 40.6</u>

(1) Excludes the investment in VISA SunCoke and acquisition of Lake Terminal

Our capital expenditures for 2013 are now expected to be approximately \$130 million , of which ongoing capital expenditures are anticipated to be approximately \$49 million . Previously, we expected 2013 capital expenditures to be approximately \$133 million , of which ongoing capital expenditures were anticipated to be approximately \$58 million . Ongoing capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and/or to extend their useful lives. Ongoing capital expenditures also include new equipment that improves the efficiency, reliability or effectiveness of existing assets. Ongoing capital expenditures do not include normal repairs and maintenance expenses, which are expensed as incurred. We now anticipate spending \$58 million for the refurbishment of the Indiana Harbor facility in 2013 versus the previously disclosed \$68 million with the differential to be spent in 2014. Additionally in 2013, we anticipate spending \$23 million in environmental remediation capital to enhance the environmental performance at our Haverhill and Granite City cokemaking operations. Previously, we anticipated spending \$28 million in 2013 related to environmental remediation capital.

Investments

On March 18, 2013 , we completed the transaction to form a joint venture, VISA SunCoke, with VISA Steel in India. We invested \$67.7 million to acquire a 49 percent interest in VISA SunCoke, with VISA Steel holding the remaining 51 percent .

On August 30, 2013, the Partnership completed its acquisition of the assets and business operations of Lake Terminal for an all cash purchase price of \$28.6 million.

On October 1, 2013, the Partnership completed its acquisition of KRT for \$86.0 million utilizing \$46.0 million of available cash and \$40.0 million of borrowings under its existing revolving credit facility. This investment was not contemplated in our prior cash flow expectations and projections.

Critical Accounting Policies

There have been no significant changes to our accounting policies during the nine months ended September 30, 2013 . Please refer to SunCoke Energy, Inc.'s Annual Report on Form 10-K dated February 22, 2013 for a summary of these policies.

Recent Accounting Standards

On January 1, 2013, we adopted ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* . This ASU requires the disclosure of changes to accumulated other comprehensive income to be presented by component on the face of the financial statements or in a separate note to the financial statements. This ASU also requires the disclosure of significant items reclassified out of accumulated other comprehensive income to net income during the period either on the face of the financial statements or in a separate note to the financial statements. This standard is effective prospectively for interim and annual periods beginning after December 15, 2012 . We have elected to provide the required disclosures in a separate note to the financial statements. See Note 17.

Non-GAAP Financial Measures

In addition to the GAAP results provided in the Quarterly Report on Form 10-Q, we have provided a non-GAAP financial measure, Adjusted EBITDA. Reconciliation from GAAP to the non-GAAP measurement is presented below.

Our management, as well as certain investors, use this non-GAAP measure to analyze our current and expected future financial performance. This measure is not in accordance with, or a substitute for, GAAP and may be different from, or inconsistent with, non-GAAP financial measures used by other companies.

Adjusted EBITDA . Adjusted EBITDA represents earnings before interest, taxes, depreciation, depletion and amortization (“EBITDA”) adjusted for sales discounts and the interest, taxes, depreciation, depletion and amortization attributable to our equity method investment. EBITDA reflects sales discounts included as a reduction in sales and other operating revenue. The sales discounts represent the sharing with customers of a portion of nonconventional fuels tax credits, which reduce our income tax expense. However, we believe our Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit that is not included in EBITDA. Accordingly, in computing Adjusted EBITDA, we have added back these sales discounts. Our Adjusted EBITDA also includes EBITDA attributable to our equity method investment. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses. Management believes Adjusted EBITDA is an important measure of the operating performance of the Company's net assets.

We believe Adjusted EBITDA is an important measure of operating performance and provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance. Adjusted EBITDA is a measure of operating performance that is not defined by GAAP, does not represent and should not be considered a substitute for net income as determined in accordance with GAAP. Calculations of Adjusted EBITDA may not be comparable to those reported by other companies.

Set forth below is additional detail as to how we use Adjusted EBITDA as a measure of operating performance, as well as a discussion of the limitations of Adjusted EBITDA as an analytical tool.

Operating Performance . Our management uses Adjusted EBITDA to assess our combined financial and operating performance. Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance while neutralizing the impact of capital structure on financial results. Accordingly, we believe this metric is helpful to management in identifying trends in our performance, as it measures financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

Limitations . Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure. Adjusted EBITDA also has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Some of these limitations include that Adjusted EBITDA:

- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest on or principal payments of our debt;
- does not reflect certain other non-cash income and expenses;
- excludes income taxes that may represent a reduction in available cash; and
- includes net income (loss) attributable to noncontrolling interests.

We explain Adjusted EBITDA and reconcile this non-GAAP financial measure to our net income, which is its most directly comparable financial measure calculated and presented in accordance with GAAP.

Below is a reconciliation of Adjusted EBITDA to its closest GAAP measure:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Adjusted EBITDA attributable to SunCoke Energy, Inc.	\$ 40.8	\$ 72.6	\$ 126.4	\$ 194.5
Add: Adjusted EBITDA attributable to noncontrolling interest ⁽¹⁾	9.9	1.1	29.0	1.5
Adjusted EBITDA	\$ 50.7	\$ 73.7	\$ 155.4	\$ 196.0
Subtract:				
Adjustments to loss from equity method investment	0.3	—	1.3	—
Depreciation, depletion and amortization	23.2	18.9	70.5	57.5
Interest expense, net	12.1	12.2	40.0	36.0
Income tax expense	0.6	7.6	6.5	19.9
Sales discounts provided to customers due to sharing of nonconventional fuel tax credits	2.2	2.1	5.7	9.1
Net income	\$ 12.3	\$ 32.9	\$ 31.4	\$ 73.5

(1) Reflects net income attributable to noncontrolling interest adjusted for the noncontrolling interest share of interest, taxes, depreciation and amortization.

Below is a reconciliation of 2013 Estimated Adjusted EBITDA to its closest GAAP measure:

	2013	
	Low	High
Adjusted EBITDA attributable to SunCoke Energy, Inc.	\$ 175	\$ 188
Add: Adjusted EBITDA attributable to noncontrolling interest ⁽¹⁾	40	42
Estimated 2013 Adjusted EBITDA	\$ 215	\$ 230
Subtract:		
Sales discounts provided to customers due to sharing of nonconventional fuel tax credits	7	7
Adjustments to loss from equity method investment ⁽²⁾	—	3
Estimated 2013 EBITDA	208	220
Subtract:		
Depreciation, depletion and amortization	96	95
Interest expense, net	54	54
Income tax expense	7	14
Net income	\$ 51	\$ 57

(1) Reflects net income attributable to noncontrolling interest adjusted for the noncontrolling interest share of interest, taxes, depreciation and amortization.

(2) Reflects estimated pro-rata 2013 earnings related to our equity method investment in VISA SunCoke.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Quarterly Report on Form 10-Q, including, among others, in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Such forward-looking statements are based on management’s beliefs and assumptions and on information currently available. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, benefits resulting from our separation from Sunoco, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and may be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “will,” “should” or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update any forward-looking statement (or its associated cautionary language), whether as a result of new information or future events, after the date of this Quarterly Report on Form 10-Q, except as required by applicable law.

The risk factors discussed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2012 and in subsequent filings could cause our results to differ materially from those expressed in forward-looking statements. There may also be other risks that we are unable to predict at this time. Such risks and uncertainties include, without limitation:

- changes in levels of production, production capacity, pricing and/or margins for coal and coke;
- variation in availability, quality and supply of metallurgical coal used in the cokemaking process, including as a result of non-performance by our suppliers;
- changes in the marketplace that may affect supply and demand for our metallurgical coal and/or coke products, including increased exports of coke from foreign producers;
- competition from alternative steelmaking and cokemaking technologies that have the potential to reduce or eliminate the use of metallurgical coke;
- our dependence on, relationships with, and other conditions affecting, our customers;
- volatility, cyclical downturns and other change in the business climate and market for coal, affecting customers or potential customers for the Partnership's coal logistics business;
- severe financial hardship or bankruptcy of one or more of our major customers, or the occurrence of a customer default or other event affecting our ability to collect payments from our customers;
- our significant equity interest in the Partnership;
- volatility and cyclical downturns in the carbon steel industry and other industries in which our customers operate;
- our ability to enter into new, or renew existing, long-term agreements upon favorable terms for the supply of metallurgical coke to domestic and/or foreign steel producers;
- our ability to identify acquisitions, execute them under favorable terms, and integrate them into our existing business operations;
- our ability to develop, design, permit, construct, start up, or operate new cokemaking facilities in the United States;
- our ability to successfully implement our international growth strategy;
- our ability to realize expected benefits from investments and acquisitions, including our investment in the Indian joint venture;
- age of, and changes in the reliability, efficiency and capacity of the various equipment and operating facilities used in our coal mining and/or cokemaking operations, and in the operations of our subsidiaries major customers, business partners and/or suppliers;
- changes in the expected operating levels of our assets;
- our ability to meet minimum volume requirements, coal-to-coke yield standards and coke quality requirements in our coke sales agreements;
- changes in the level of capital expenditures or operating expenses, including any changes in the level of environmental capital, operating or remediation expenditures;
- our ability to service our outstanding indebtedness;

- our ability to comply with the restrictions imposed by our financing arrangements;
- nonperformance or force majeure by, or disputes with, or changes in contract terms with, major customers, suppliers, dealers, distributors or other business partners;
- availability of skilled employees for our coal mining and/or cokemaking operations, and other workplace factors;
- effects of railroad, barge, truck and other transportation performance and costs, including any transportation disruptions;
- effects of adverse events relating to the operation of our facilities and to the transportation and storage of hazardous materials (including equipment malfunction, explosions, fires, spills, and the effects of severe weather conditions);
- our ability to enter into joint ventures and other similar arrangements under favorable terms;
- changes in the availability and cost of equity and debt financing;
- impact on our liquidity and ability to raise capital as a result of changes in the credit ratings assigned to our indebtedness;
- changes in credit terms required by our suppliers;
- risks related to labor relations and workplace safety;
- changes in, or new, statutes, regulations, governmental policies and taxes, or their interpretations, including those relating to environmental matters;
- the existence of hazardous substances or other environmental contamination on property owned or used by us;
- the availability of future permits authorizing the disposition of certain mining waste;
- claims of noncompliance with any statutory and regulatory requirements;
- changes in the status of, or initiation of new litigation, arbitration, or other proceedings to which we are a party or liability resulting from such litigation, arbitration, or other proceedings;
- historical combined and consolidated financial data may not be reliable indicator of future results;
- effects resulting from our separation from Sunoco, Inc.;
- public company costs;
- our indebtedness and certain covenants in our debt documents;
- our ability to secure new coal supply agreements or to renew existing coal supply agreements;
- our ability to acquire or develop coal reserves in an economically feasible manner;
- defects in title or the loss of one or more mineral leasehold interests;
- disruptions in the quantities of coal produced by our contract mine operators;
- our ability to obtain and renew mining permits, and the availability and cost of surety bonds needed in our coal mining operations;
- changes in product specifications for either the coal or coke that we produce;
- changes in insurance markets impacting costs and the level and types of coverage available, and the financial ability of our insurers to meet their obligations;
- changes in accounting rules and/or tax laws or their interpretations, including the method of accounting for inventories, leases and/or pensions;
- volatility in foreign currency exchange rates affecting the markets and geographic regions in which we conduct business;
- changes in financial markets impacting pension expense and funding requirements;
- the accuracy of our estimates of reclamation and other mine closure obligations; and
- effects of geologic conditions, weather, or natural disasters.

The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause actual results to differ materially from those expressed in any forward-looking statement made by us. Other factors not discussed herein could also have material adverse effects on us. All forward-looking statements included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by the foregoing cautionary statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk. Because we operate outside the United States, we are subject to risk resulting from changes in currency exchange rates. Currency exchange rates are influenced by a variety of economic factors including local inflation, growth, interest rates and governmental actions, as well as other factors. Revenues and expenses of our foreign operations are translated at average exchange rates during the period and balance sheet accounts are translated at period-end exchange rates. Balance sheet translation adjustments are excluded from the results of operations and are recorded in stockholders' equity as a component of accumulated other comprehensive loss. From the date of acquisition, the movement of foreign currency rates had a negative impact of \$0.3 million on our net income. If the currency exchange rates had changed by 10 percent, we estimate the impact to our net income would have been approximately \$0.6 million.

Our India Coke segment purchases coal to be used in the production of coke. Coal, which is purchased in U.S. dollars, is subject to price fluctuations that may create price risk. Coke sales to customers are denominated in Indian rupees. Our ability to recover higher costs through price increases to customers may be limited due to the competitive pricing environment that exists in the market. Further, the purchase of coal at our India Coke segment is subject to foreign currency risk because the purchase of coal is denominated in a currency other than the segment's functional currency. If currency exchange rates change by 10 percent, we estimate that the impact on our annual net income would be approximately \$4 million. Beginning the fourth quarter of 2013, India Coke used derivative financial instruments to hedge currency fluctuations for anticipated purchases of coal used in the production of coke. We have policies governing the derivative instruments that may be used, including a policy not to enter into derivative contracts for speculative or trading purposes.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer.

Disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately based on criteria established in the 1992 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The information presented in Note 11 entitled “Commitments and Contingent Liabilities” to our Consolidated Financial Statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

Updates to our risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012 related to our new coal handling business are disclosed below.

Fluctuations in foreign currency exchange rates could significantly and adversely affect results of operations or financial condition.

Our operations outside the United States have transactions and balances denominated in currencies other than the U.S. dollar, including the Indian rupee and the Brazilian real, among others. Because our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and are reported in U.S. dollars, we translate revenues, expenses and balance sheet accounts of our foreign operations into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Currency exchange rates are influenced by local inflation, growth, interest rates, governmental actions and other events and circumstances beyond our control.

Increases or decreases in the value of the U.S. dollar against these other currencies will affect our net operating revenues, operating income and the value of balance sheet items denominated in such foreign currencies. Our India Coke business segment purchases metallurgical coal to be used in the production of coke. Since these purchases of coal are denominated in U.S. dollars, while the functional currency of this business segment is the Indian rupee, such transactions are subject to foreign currency risk. In addition, unexpected and dramatic fluctuations in currency exchange rates, such as the recent deterioration in value of the Indian rupee, could materially and adversely affect the value of our earnings from our India Coke business segment. Although our India Coke business segment uses derivative financial instruments to hedge currency fluctuations for anticipated purchases of coal used in the production of coke, we cannot assure you that fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against the Indian rupee, or other currencies, would not materially affect our financial results.

The growth and success of our coal logistics business depends upon our ability to find and contract for adequate throughput volumes, and an extended decline in demand for coal could affect the customers for our coal logistics business adversely. As a consequence, the operating results and cash flows of our coal logistics business could be materially and adversely affected.

The financial results of our Coal Logistics business segment are significantly affected by the demand for both thermal coal and metallurgical coal. An extended decline in our customers’ demand for either thermal or metallurgical coals could result in a reduced need for the coal blending, terminalling and transloading services we offer, thus reducing throughput and utilization of our coal logistics assets. Demand for such coals may fluctuate due to factors beyond our control:

- The demand for thermal coal can be impacted by changes in the energy consumption pattern of industrial consumers, electricity generators and residential users, as well as weather conditions. The amount of thermal coal consumed for electric power generation is affected primarily by the overall demand for electricity, the availability, quality and price of competing fuels for power generation, and governmental regulation. Natural gas-fueled generation has the potential to displace coal-fueled generation, particularly from older, less efficient coal-powered generators. State and federal mandates for increased use of electricity from renewable energy sources, or the retrofitting of existing coal-fired generators with pollution control systems, also could adversely impact the demand for thermal coal. Finally, unusually warm winter weather may reduce the commercial and residential needs for heat and electricity which, in turn, may reduce the demand for thermal coal; and
- The demand for metallurgical coal for use in the steel industry may be impacted adversely by economic downturns resulting in decreased demand for steel and an overall decline in steel production. A decline in blast furnace production of steel may reduce the demand for furnace coke, an intermediate product made from metallurgical coal. Decreased demand for metallurgical coal also may result from increased steel industry utilization of processes that do not use, or reduce the need for, furnace coke, such as electric arc furnaces, or blast furnace injection of pulverized coal or natural gas.

Additionally, fluctuations in the market price of coal can greatly affect production rates and investments by third parties in the development of new and existing coal reserves. Mining activity may decrease as spot coal prices decrease. We have no control over the level of mining activity by coal producers, which may be affected by prevailing and projected coal prices, demand for hydrocarbons, the level of coal reserves, geological considerations, governmental regulation and the availability and cost of capital. A material decrease in coal mining production in the areas of operation for our coal logistics business,

whether as a result of depressed commodity prices or otherwise, could result in a decline in the volume of coal processed through our coal logistics facilities, which would reduce our revenues and operating income.

Decreased demand for thermal or metallurgical coals, and extended or substantial price declines for coal could adversely affect our operating results for future periods and our ability to generate cash flows necessary to improve productivity and expand operations. The cash flows associated with our coal logistics business may decline unless we are able to secure new volumes of coal by attracting additional customers to these operations. Future growth and profitability of our coal logistics business segment will depend, in part, upon whether we can contract for additional coal volumes at a rate greater than that of any decline in volumes from existing customers. Accordingly, decreased demand for coal, or a decrease in the market price of coal, could have a material adverse effect on the results of operations or financial condition of our coal logistics business.

Our failure to obtain or renew surety bonds on acceptable terms could materially and adversely affect our ability to secure our reclamation obligations and, therefore, our ability to operate our coal logistics business.

Federal and state laws require us to obtain surety bonds to secure performance or payment of certain long-term obligations, such as reclamation costs, federal and state workers' compensation costs and other obligations. Surety bond issuers and holders may not continue to renew the bonds or may demand higher fees, additional collateral, including letters of credit, or other terms less favorable to us upon renewals. We are also subject to increases in the amount of surety bonds required by Surface Mining Control and Reclamation Act and other federal and state laws as these laws, or interpretations of these laws, change. Because we are required by state and federal law to have these bonds in place before activities at our coal logistics operations can commence or continue, our failure to maintain (or inability to acquire) these bonds would have a material and adverse impact on us. That failure could result from a variety of factors, including: lack of availability, higher expense or unfavorable market terms of new bonds; restrictions on availability of collateral for current and future third-party surety bond issuers under the terms of future indebtedness; our inability to meet certain financial tests with respect to a portion of the reclamation bonds; and the exercise by third-party surety bond issuers of their right to refuse to renew, or to issue, new bonds.

Our coal logistics business is subject to operating risks, some of which are beyond our control, that could result in a material increase in our operating expenses.

Factors beyond our control could disrupt our coal logistics operations, adversely affect our ability to service the needs of our customers, and increase our operating costs, all of which could have a material adverse effect on our results of operations. Such factors could include:

- geological, hydrologic, or other conditions that may cause damage to infrastructure or personnel;
- a major incident that causes all or part of the coal logistics operations at a site to cease for a period of time;
- processing and plant equipment failures and unexpected maintenance problems;
- adverse weather and natural disasters, such as heavy rains or snow, flooding and other natural events affecting coal logistics operations, transportation, or customers;

If any of these conditions or events occur, our coal logistics operations may be disrupted, operating costs could increase significantly, and we could incur substantial losses in this business segment. Disruptions in our coal logistics operations could seriously and adversely affect our financial condition, or results of operations.

Deterioration in the global economic conditions in any of the industries in which our customers operate, or sustained uncertainty in financial markets, may have adverse impacts on our business and financial condition that we currently cannot predict.

Economic conditions in a number of industries in which our customers operate, such as electric power generation and steel making, substantially deteriorated in recent years and reduced the demand for coal.

- demand for electricity in the United States is impacted by industrial production, which if weakened would negatively impact the revenues, margins and profitability of our coal logistics business;
- demand for metallurgical coal depends on steel demand in the United States and globally, which if weakened would negatively impact the revenues, margins and profitability of our coal logistics business;
- the tightening of credit or lack of credit availability to our customers could adversely affect our ability to collect our trade receivables; and
- our ability to access the capital markets may be restricted at a time when we would like, or need, to raise capital for our business including for potential acquisitions, or other growth opportunities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾</u>	<u>Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs ⁽¹⁾</u>
July 1 - 31, 2013	3,706	\$ 13.91	—	2,800,383
August 1 - 31, 2013	500,000	\$ 16.04	500,000	2,300,383
September 1 - 30, 2013	—	\$ —	—	2,300,383
For the quarter ended September 30, 2013	<u>503,706</u> ⁽²⁾			

(1) On February 29, 2012, we reported that our Board of Directors authorized the repurchase of up to 3,500,000 shares of the Company's common stock in order to counter the dilutive impact of exercised stock options and the vesting of restricted stock grants. Such authorization expires on December 31, 2015.

(2) Includes shares repurchased to satisfy participants' tax withholding obligations, pursuant to the terms of our Long-Term Performance Enhancement Plan.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations and other regulatory matters that we are required to report in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

See the Exhibit Index on page 56.

We are pleased to furnish this Form 10-Q to shareholders who request it by writing to:

SunCoke Energy, Inc.
Investor Relations
1011 Warrenville Road
Suite 600
Lisle, Illinois 60532

SIGNATURE

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 thereunto duly authorized.

SunCoke Energy, Inc.

Dated: October 30, 2013

By: /s/ Mark E. Newman

Mark E. Newman

Senior Vice President and Chief Financial Officer

(As Principal Financial Officer and

Duly Authorized Officer of SunCoke Energy, Inc.)

EXHIBIT INDEX

The following exhibits are filed as part of, or incorporated by reference into, this Form 10-Q.

- 10.1* † Amended and Restated Coke Purchase Agreement, dated as of February 19, 1998, by and between Indiana Harbor Coke Company, L.P. and ArcelorMittal USA Inc. (f/k/a Inland Steel Company)
- 10.2* † Amendment No. 2 to Amended and Restated Coke Purchase Agreement, dated as of March 31, 2001, by and between Indiana Harbor Coke Company, L.P. and ArcelorMittal USA Inc. (f/k/a Inland Steel Company)
- 10.3* † Supplement to Amended and Restated Coke Purchase Agreement, dated as of February 3, 2011, by and between Indiana Harbor Coke Company, L.P. and ArcelorMittal USA Inc. (f/k/a Inland Steel Company)
- 10.4* † Extension Agreement, dated as of September 5, 2013, by and between Indiana Harbor Coke Company, L.P. and ArcelorMittal USA Inc.
- 31.1* Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 95.1* Mine Safety Disclosures
- 101 The following financial statements from SunCoke Energy, Inc.'s Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2013, filed with the Securities and Exchange Commission on October 30, 2013, formatted in XBRL (eXtensible Business Reporting Language is attached to this report): (i) the Condensed and Consolidated Statements of Operations; (ii) the Condensed and Consolidated Balance Sheets; (iii) the Condensed and Consolidated Statements of Cash Flows; and, (iv) the Notes to Condensed and Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

* Filed herewith.

† Certain portions have been omitted pursuant to a confidential treatment request filed October 30, 2013. The omitted information has been filed separately with the Securities and Exchange Commission.

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH FIVE ASTERISKS (***).**

=====

AMENDED AND RESTATED
COKE PURCHASE AGREEMENT
Dated as of February 19, 1998
By and Between
INDIANA HARBOR COKE COMPANY, L.P.
and
INLAND STEEL COMPANY

=====

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Exhibits :

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Exhibit B	- Form of Elk River Resources, Inc. Guaranty
Exhibit C	- Form of Escrow Agreement

**AMENDED AND RESTATED
COKE PURCHASE AGREEMENT**

This Amended and Restated Coke Purchase Agreement, dated as of February 19, 1998 (this “Coke Purchase Agreement”), is by and between Indiana Harbor Coke Company, L.P., a Delaware limited partnership, qualified to do business in Indiana (“Seller”), and Inland Steel Company, a Delaware corporation. (“Purchaser”).

W I T N E S S E T H

WHEREAS, Seller is a partnership formed between Indiana Harbor Coke Company, a Delaware corporation as general partner, and Indiana Harbor Coke Corporation, an Indiana corporation, and DTE Indiana Harbor LLC, a Delaware limited liability company, as limited partners (each a “Partner” and, collectively, the “Partners”) pursuant to an Amended and Restated Partnership Agreement of even date herewith (the “Partnership Agreement”); and

WHEREAS, as stated in the Partnership Agreement, Seller intends to design and construct, and to finance, own and operate a heat recovery cokemaking plant, together with related coal and coke handling facilities, with an annual production of at least 1.22 million Tons of screened furnace coke (the “Coke Plant”); and

WHEREAS, Purchaser is desirous of obtaining an assured source of coke in such Tonnages and of such quality as described herein, and is willing to do so on a take or pay basis; and

WHEREAS, Purchaser and Seller are parties to a Coke Purchase Agreement dated November 4, 1996 (the “Original Coke Purchase Agreement”); and

WHEREAS, Purchaser and Seller desire to amend and restate the Original Coke Purchase Agreement as provided in this Coke Purchase Agreement; and

WHEREAS, Purchaser and Seller desire that all references to the Original Coke Purchase Agreement in any agreement, instrument or other document hereinafter be deemed to be a reference to this Coke Purchase Agreement; and

WHEREAS, Seller desires to sell and deliver coke to Purchaser, and Purchaser desires to purchase and accept coke from Seller, on the terms and conditions set forth in this Coke Purchase Agreement.

NOW THEREFORE, in consideration of the mutual terms, covenants, and conditions herein contained, the mutual benefits to be derived hereunder, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

Article I

Definitions

As used in this Coke Purchase Agreement, the following terms shall have the meanings herein specified:

1.1 Affiliate

- shall mean as to any Person, any other Person which, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either:

(a) to vote ten percent (10%) or more of the securities having ordinary voting power for the election of directors of such Person; or

(b) to direct or cause the direction of the management and policies of such person whether by contract or otherwise.

1.2 Annual Budget

- shall have the meaning provided herein at Section 5.1(b).

1.3 Applicable Percentage

- shall mean *****percent (*****%) multiplied by the actual Credit Discount divided by the Credit Discount determined without the \$***** cap contained in Section 5.1(e)(3) of the Coke Purchase Agreement.

1.4 Change of Law

- shall mean a statutory change in the Code (including without limitation a repeal of all or any part of section 29 of the Code) to the extent that such change:

(a) causes any part of production from the Coke Plant to cease to be qualified fuels within the meaning of Section 29 of the Code;

(b) reduces the rate at which Section 29 Tax Credits accrue per barrel of oil equivalent of Coke; or

(c) limits the benefit or availability of Section 29 Tax Credits with respect to any class of persons which includes the Initial Investor.

1.5 Code

- shall mean the Internal Revenue Code of 1986, as amended.

1.6 Coke

- shall mean coke which meets the Coke Quality Specifications.

1.7 Coke Plant

- shall have the meaning set forth in the introduction to this Coke Purchase Agreement.

1.8 Coke Purchase Agreement

- shall have the meaning set forth in the introduction to this Coke Purchase Agreement.

1.9 Coke Quality Specifications

- shall have the meaning provided herein at Section 4.1.

1.10 Cokenergy

- shall have the meaning provided herein at Section 2.1(a).

1.11 Commission

- shall have the meaning provided herein at Section 3.1(e)(1).

1.12 Computer Model

- shall mean the computer model described in Schedules 5.1(c) and 5.1(e) and set forth in the attached computer diskette.

1.13 Confidential Information

- shall mean any material, non-public information that is obtained by Purchaser or Seller in connection with the negotiation of the Coke Purchase Agreement and related transactional documents, including specifically by way of example and not of limitation:

- (a) the terms and provisions of this Coke Purchase Agreement and the Contract Price for Coke sold hereunder, including any methodology for calculating such Contract Price;
- (b) any information protected by the terms of any
- (c) confidentiality agreement between Seller and Purchaser; and
- (d) the terms of any Initial Investment (or related subsequent investment) and/or the identity of any Initial Investor (or subsequent investor).

Confidential Information shall not include information that becomes generally available to the public other than as a result of a disclosure by the Purchaser, or Seller its Affiliates or any directors, officers, employees or agents of the Purchaser or Seller or any Affiliate of the Purchaser or Seller.

1.14 Contract Price

- shall mean the price per ton of Coke included in the Minimum Coke Purchase Requirement, calculated in accordance with the methodology set forth herein at Article V.

1.15 Contract Year

- shall mean the period from and including the date hereof to and including December 31, 1996, and thereafter shall mean each twelve (12) month period during which this Coke

Purchase Agreement is in effect, commencing on each January 1st; *provided, however*, that the last Contract Year shall end on the date of expiration of this Coke Purchase Agreement.

1.16 Credit Discount

- shall have the meaning provided herein at Section 5.1(e).

1.17 Default

- shall mean any event, act or condition which with notice, or lapse of time, or both would constitute an Event of Default.

1.18 Designated Year

- shall have the meaning provided herein at Section 9.3(a).

1.19 Disallowance

- shall mean the disallowance by the IRS of all or a portion of the Section 29 Tax Credits allocated to the Initial Investor.

1.20 Disallowance Percentage

- shall mean:

(a) the dollar value of Section 29 Tax Credits that would have been allocable to the Initial Investor in the absence of a loss or reduction in dollar value of such Credits; minus

(b) the dollar value of Section 29 Tax Credits that is allocable to the Initial Investor taking into account any loss or reduction in dollar value of Section 29 Tax Credits whether resulting from a Change of Law, Phase-Out or Disallowance or otherwise;

(c) divided by the amount determined in subsection (a) of this paragraph.

For purposes of determining the amount of Disallowed Discount in Section 5.1(e)(3) hereof, a Proposed Adjustment that if sustained would result in a loss or reduction in the dollar value of Section 29 Tax Credits allocated to the Initial Investor, shall be treated as a loss of Section 29 Tax Credits in determining the Disallowance Percentage.

1.21 Disallowed Discount

- shall have the meaning provided herein at Section 5.1(e)(3) hereof.

1.22 Discount Period

- shall have the meaning provided herein at Section 5.1(e).

1.23 Escrow Agent

- shall have the meaning provided herein at Section

9.1.

1.24 Event of Default

- shall have the meaning provided herein at Article X.

1.25 Final Determination

- shall mean:

(a) a settlement of the Proposed Adjustment;

(b) unless judicial-proceedings are initiated as provided in Section 5.1(e)(6)(iii) hereof, a final administrative resolution with respect to the Proposed Adjustment as evidenced by a closing agreement, Form 870-P, Forms 870 or 870-AD or like form or agreement;

(c) a final decision with respect to the Proposed Adjustment by the Tax Court, Court of Federal Claims or the appropriate Federal District Court (unless appealed);

(d) a final decision of a united States Court of Appeals with respect to the Proposed Adjustment; or

(e) the expiration of the applicable statute of limitations for the tax period affected.

1.26 Fire/Explosion Period

- shall have the meaning provided herein at Section 11.3.

1.27 Flip 1 Date

- shall mean the first date on which the Initial Investor's share in the proceeds from the production and sale of Coke from the Coke Plant is reduced as a result of the achievement of a targeted return.

1.28 Force Majeure

- shall have the meaning provided herein at Section 11.1.

1.29 Governmental Authority

- shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

1.30 Governmental Imposition

- shall mean any assessment, charge, impost or levy, however denominated (but not including fines or other penalties for the failure to comply with nontax legal requirements), including any interest, penalties, or additions that is or may become payable in respect thereof, imposed by any state, local or federal or foreign Governmental Authority that may be imposed on the purchase of coal, the production or sale of Coke, on any asset or transaction of Seller related to the Coke Plant including, but not limited to, a value added tax of any type and an

energy tax of any type, (with the exception of a tax measured by net income, the Indiana Gross Receipts Tax, or any withholding tax relating to a Partner's interest in Seller).

1.31 GP

- shall mean Indiana Harbor Coke Company, a Delaware corporation, general partner of Seller.

1.32 GP Indemnity Agreement

- shall mean, in the event that an investor acquires an interest in the Partnership, any indemnity agreement between the investor and GP related to the indemnification of certain tax benefits including Section 29 Tax Credits.

1.33 Initial Full Production

- shall mean and refer to the date on which Three Thousand Three Hundred Forty Two (3,342) Tons of daily Coke production from the Coke Plant is first available for sale and delivery,

1.34 Initial Investment

- shall have the meaning provided herein at Section 5.1(e).

1.35 Initial Investor

- shall have the meaning provided herein at Section 5.1(e).

1.36 Initial Term

- shall have the meaning provided herein at Section 2.1.

1.37 IRS

- shall mean the U.S. Internal Revenue Service, or any similar or successor federal agency.

1.38 Minimum Coke Purchase Requirement

- shall mean and represent, during any one Contract Year, Coke that the Seller is required to sell and that the Purchaser is required to purchase on a take or pay basis:

(a) for Contract Year periods subsequent to the date hereof, but prior to the date of commencement of Initial Full Production, the Minimum Coke Purchase Requirement shall be an amount of Coke equal to all available Coke produced by the Coke Plant;

(b) for Contract Year periods following Initial Full Production, but before the end of the Initial Term, the Minimum Coke Purchase Requirement shall be 1.22 million Tons per Contract Year, reduced by the amount of Coke that Seller is excused from selling to Purchaser, and/or Purchaser is excused from buying from Seller, pursuant to the Force Majeure provisions of Article XI hereof.

1.39 Overdue Rate

- shall have the meaning provided herein at Section 7.1.

1.40 Original Coke Purchase Agreement

- shall have the meaning set forth in the introduction to this Coke Purchase Agreement.

1.41 Parties

- means both the Purchaser and the Seller.

1.42 Partner

- shall have the meaning set forth in the introduction to this Coke Purchase Agreement.

1.43 Partnership Agreement

- shall have the meaning set forth in the introduction to this Coke Purchase Agreement.

1.44 Party

- means either the Purchaser or the Seller, depending upon the context in which the term is used.

1.45 Person

- shall mean and include any individual, firm, corporation, partnership, limited liability corporation, association, trust or other enterprise or any government or political subdivision or agency, department or instrumentality thereof.

1.46 Phase-Out

- shall mean a reduction in the dollar value of the credit per barrel-of-oil equivalent allowed for the Coke Plant production by reason of section 29(b) of the Code.

1.47 Proposed Adjustment

- shall mean an adjustment proposed on the earlier of a written proposed audit finding (PAF), revenue agent's report (RAR), 30-day letter, statutory notice of deficiency or their equivalent.

1.48 Proposed Price

- shall have the meaning provided herein at Section 3.1(e)(1).

1.49 Purchaser

- shall have the meaning set forth in the introduction to this Coke Purchase Agreement.

1.50 Qualified Ovens

- shall mean coke ovens that are described in section 29(g) (1) and (2) of the Code.

1.51 Section 29 Tax. Credits

- shall mean U.S. federal income tax credits provided for in section 29 of the Code.

1.52 Stockpiled Coke

- shall have the meaning provided herein at Article VIII.

1.53 Tax Rate Adjustment Factor

- shall mean a fraction, the numerator of which is, ***** minus the income tax rate utilized in the Partnership Agreement in determining the after-tax amount of the Initial Investor's

return on the date of the Credit Discount, and the denominator of which is, ***** minus the income tax rate utilized in the GP Indemnity Agreement or the Partnership Agreement in determining the after-tax amount of the Initial Investor's return or a tax indemnity payment, as appropriate, on the date of the Credit Discount Reimbursement.

1.54 Ton, or Tonnage

- shall mean, with respect to Coke purchased pursuant to this Coke Purchase Agreement, a short ton of two thousand (2,000) pounds of Coke at *****percent (*****%) moisture content. All tonnages of Coke sold pursuant to this Coke Purchase Agreement shall be adjusted to *****percent (*****%) in accordance with the following formula:

$$\text{*****} \left(\frac{\text{*****}\%}{\text{*****}\%} \right) = \text{Tonnage.}$$

1.55 Total Coke Plant Capital Cost

- shall mean the Seller's initial capital investment (not to exceed One Hundred Eighty Six Million Dollars (\$186,000,000) reduced by the amount of liquidated damages received by the Seller from the general contractors for construction of the Coke Plant) required to build and operate the Coke Plant together with organization and start-up costs (but not to exceed \$1,500,000 net of any state training incentives), together with subsequent capital investments made by Seller as shown in the Computer Model attached hereto as Schedule 5.1(c); and additional capital expenditures as required from time to time by changes in applicable law, regulations or regulatory orders (or changes in official interpretations thereof).

1.56 Written or in writing

shall mean any form of written communication or a communication by means of telex, telecopier device, telegraph or cable.

ARTICLE II

Term

2.1 Initial Term. Except as otherwise provided herein, this Coke Purchase Agreement shall be in full force and effect from the date hereof, and thereafter for an initial term (the "Initial Term") of fifteen (15) years commencing from the first to occur of:

(a) the later of the date of Initial Full Production and the Tolling Commencement Date under that certain Tolling Agreement, dated of even date herewith, between Purchaser and Cokenergy, Inc., an Indiana corporation ("Cokenergy"); or

(b) January 1, 1999.

2.2 Renewal Option. Purchaser is hereby granted the right to renew the term of this Coke Purchase Agreement at a contract price that is mutually acceptable to both Purchaser and Seller. The contract price during any such renewal term will:

- (a) be based on methodology for calculation substantially similar to that set forth herein at Article V;
- (b) accommodate the Coke Plant's need for new capital expenditures (calculated using a *****% after tax rate of return to Seller) and amortized over the remaining economically useful life of the Coke Plant; and
- (c) enable Seller to realize the residual value as determined by the Computer Model attached hereto as Schedule 5.1(c), amortized over the remaining economically useful life of the Coke Plant.

At least twenty-four (24) months prior to the expiration of the Initial Term, Purchaser must give notice to Seller of Purchaser's intent to renew, specifying a renewal term not less than three but not more than ten years in duration. Seller will reply within thirty (30) days following receipt of Purchaser's notice of intent to renew, and in so replying Seller shall specify the required additional capital, the approximate projected economically useful life remaining and a proposed contract price for Coke in accordance with subsections 2.2(a), (b) and (c) above and the Parties hereby agree to use their commercially reasonable good faith efforts to negotiate a mutually acceptable contract price to apply during such renewal term. If Purchaser fails to give notice of its intent to renew twenty-four (24) months prior to expiration of the Initial Term, such failure shall operate as a conclusive waiver of Purchaser's right to renew.

ARTICLE III

Quantity

3.1 Take or Pay Basis

. During the term of this Coke Purchase Agreement, and subject to the terms and conditions hereof (including without limitation, the provisions relating to Purchaser's No. 7 Blast Furnace set forth in Article XI hereof), Seller shall sell and deliver, on a take or pay basis, and Purchaser shall buy and accept delivery of Coke from Seller on a take or pay basis , in the amount of the Minimum Coke Purchase Requirement for each relevant Contract Year period. Should Purchaser fail to take the Minimum Coke Purchase Requirement tendered for any monthly

period, Purchaser shall nonetheless be obligated to pay the Contract Price for Purchaser's Minimum Coke Purchase Requirement for such monthly period.

It is specifically understood that:

(d) Subject to the Force Majeure provisions herein contained, Seller's contractual obligation hereunder is to sell Coke to Purchaser in the amount of the Minimum Coke Purchase Requirement without regard to the actual amount of Coke produced by the Coke Plant. To the extent practicable, Seller will satisfy its obligation to deliver the required Coke Tonnages with Coke produced at the Coke Plant.

(e) Should Seller fail to deliver approximately 21,000 Tons per week, for any period of two or more consecutive weeks, Purchaser shall have the right to secure such deficit from any other source and, in addition to any other rights and remedies hereunder, Purchaser shall be entitled to recover from Seller the amount, if any, by which the purchase price, together with any and all reasonable costs actually incurred by Purchaser in securing such substitute Coke exceeds the Contract Price determined without regard to Section 5.1(e).

(f) If Purchaser wrongfully rejects the Coke, Seller shall have the right to sell such Coke to third parties, and, in addition to any other rights and remedies hereunder, Seller shall be entitled to recover from Purchaser:

(1) A penalty in the amount of *****Dollars (\$*****) per Ton for such wrongly rejected coke; and

(2) the full Contract Price of such rejected Coke net of resale proceeds, if any, (adjusted for handling losses) and sales of nut coke and breeze. The Purchaser shall not be entitled to receive any discount described herein at Section 5.1(e) relating to Section 29 Tax Credits that may be available in connection with any resale by Seller of such rejected Coke to third parties.

(g) In the event that Seller is unable to satisfy its contractual obligation to deliver the Minimum Coke Purchase Requirement solely from Coke produced by the Coke Plant, Seller will provide Purchaser with advance written notice of such inability, together with an indication of whether or not Seller is reasonably likely to secure the deficit from a probable alternate source (and identification of any such probable alternate source, if possible). Seller will use commercially reasonable efforts to secure any such

deficit from an identifiable producer. Such notice shall also include the delivered price for such Coke. Within five (5) days of its receipt of such notice from Seller, Purchaser will inform Seller in writing whether or not Purchaser will accept delivery from Seller of Coke meeting the Coke Quality Specifications, but not produced by the Coke Plant. If Purchaser elects not to accept delivery from Seller of such Coke produced by sources other than from the Coke Plant, Seller will be relieved of any delivery obligation under this Coke Purchase Agreement with respect to such Tonnage, and Purchaser will not be entitled to receive from Seller any reimbursement of costs incurred by Purchaser in securing substitute Coke other than a rebate equal to the lesser of (1) the excess, if any, of the delivered price of the substitute Coke proposed by Seller over the Contract Price, and (2) the excess, if any, of the delivered price of the substitute Coke actually purchased by Purchaser over the Contract Price.

(h) Although the Parties anticipate that Coke purchased hereunder will be used for Purchaser's own operation, Purchaser may resell to third parties as follows:

(1) Purchaser will notify Seller of the amount of Coke Purchaser desires to resell and Seller shall use its reasonable good faith efforts to obtain the most favorable price on any such resale and shall not discriminate against Purchaser in favor of any other party (including Seller) for whom Seller is selling coke. Within sixty (60) days of Purchaser's notice, Seller shall notify Purchaser of the bona fide price at which Seller is able to sell such Coke (the "Proposed Price"), and in respect of any such resales, Purchaser shall pay Seller a commission (the "Commission") in addition to the Contract Price equal to *****dollars per Ton (\$*****per Ton) resold, but not greater than the excess, if any, of the resale price per Ton over the Contract Price per Ton.

(2) If Seller's Proposed Price is unacceptable to Purchaser, then Purchaser may resell such Coke on its own account and pay Seller as the "Commission" an amount equal to ***** (*****) of the Commission that would have been payable to the Seller based upon the Proposed Price. Purchaser will use its reasonable good faith efforts to obtain a price that exceeds the Proposed Price.

(3) The Commission will be paid to Seller within five (5) Business Days of Purchaser's receipt of payment for such resold Coke.

(4) If Seller does not provide Purchaser with a Proposed Price within sixty (60) days of Purchaser's notice pursuant to Section 3.1(e)(1), then Purchaser may resell such Coke for its own account, and no Commission will be payable to Seller in respect of such resold Coke.

3.2 Option to Purchase Available Excess Production

. Provided that Purchaser *uses* substantially all, but in no event less than ***** (*****) Tons of Minimum Coke Purchase Requirement Tonnage (or such lesser tonnage as actually produced by the Coke Plant) in any one Contract Year period (determined on a ratable basis during each Contract Year) for its No. 7 Blast Furnace or other facilities at its Indiana Harbor Works location, or such failure by Purchaser to use more than ***** (*****) Tons results solely from a Force Majeure event or planned furnace reline at Purchaser's No. 7 Blast Furnace pursuant to Section 11.2, then Purchaser may, at its option, purchase and accept from the Seller, for Purchaser's own use (and not for resale), and Seller shall sell and deliver to Purchaser, such additional quantities of Coke produced by the Coke Plant as may be available in excess of Purchaser's Minimum Coke Purchase Requirement for the relevant Contract Year period. The purchase price per Ton for any such available excess Coke shall be equal to the Contract Price determined without regard to Section 5.1 (e) hereof, less a discount equal to *****percent (*****%) *****.

Seller will notify Purchaser in writing approximately six (6) months prior to the beginning of each calendar quarter, as to the quantity of additional Coke, if any, reasonably expected to be available during such calendar quarter. In order to establish its right to purchase any such available additional quantities of Coke, the Purchaser must deliver to Seller written notice of its commitment to purchase the identified available excess quantities of Coke on or before the thirtieth (30th) day following Seller's original notice to Purchaser. Delivery of such notice of commitment by the Purchaser shall be irrevocable and shall be binding on the Purchaser for all purposes of this Coke Purchase Agreement. If Seller does not receive Purchaser's notice of commitment to purchase within such thirty (30) day period, Purchaser shall be deemed to have declined its option to purchase the available additional quantities of Coke previously identified by Seller. Any Tonnages of Coke purchased by Purchaser pursuant to the provisions of this Section 3.2, regarding Purchaser's option to purchase excess production, shall not be counted towards those Tonnages of Coke needed to fulfill the Purchaser's Minimum Coke

Purchase Requirement during any Contract Year period. In the event Purchaser declines additional or excess Coke pursuant to this Section 3.2 (or is not entitled to purchase such excess Coke), Seller shall be relieved of any obligation under this Coke Purchase Agreement to produce such additional or excess Coke.

In the event that Purchaser should resell to third parties ***** (*****) Tons or more of the Coke purchased under this Coke Purchase Agreement in any one Contract Year, Purchaser will have no option to purchase excess Coke produced at the Coke Plant during such Contract Year. Any excess Coke produced by the Coke Plant and not purchased by Purchaser for its own use pursuant to this Section 3.2 may be sold by Seller for its own account.

ARTICLE IV

Coke Quality

4.1 Coke Quality Specifications

. All Coke purchased and sold under this Coke Purchase Agreement shall conform to the quality requirements set forth on Schedule 4.1 (the “Coke Quality Specifications”), based on Purchaser’s laboratory analysis. If Purchaser’s chemical analyses do not agree with Seller’s chemical analyses, Purchaser and Seller will attempt to harmonize the discrepancies, to determine the actual quality of the Coke delivered, and/or to mutually agree on appropriate adjustments. If Purchaser and Seller are unable to agree as to the chemical quality of Coke delivered, both Seller’s and Purchaser’s laboratories will analyze mutually agreed upon, certified standard samples of the chemical quality parameter in dispute. Both laboratories will adjust their laboratory equipment and/or procedures to conform to the value of the certified standard sample.

4.2 Adjustments to Specifications

. Seller and Purchaser each acknowledge that several of the Coke Quality Specifications are dependent upon the coal blend used at the Coke Plant. From time to time, seller and Purchaser shall jointly develop the blend of coals to be used at the Coke Plant and shall mutually agree upon any required or resulting changes to the Coke Quality Specifications. Seller shall not alter the coal blend without the prior written approval of Purchaser, which will not be unreasonably withheld or delayed. Seller shall give Purchaser prompt written confirmation of any changes in the coal blend.

4.3 Conformance to Quality Specifications

. Conformance to Coke Quality Specifications will be determined based on samples taken and analyzed by Seller as follows:

Coke Quality Parameter	Measurement and Sample Frequency	Method of Analysis
*****	***** (*****)****** (*****)******	***** *****
*****	***** (*****)******	*****
*****	*****	*****
*****	***** (*****)******	*****

4.4 Quality Program

. Seller shall participate in Purchaser's Quality Conformance Program, which utilizes statistical process control methods. Seller's participation shall require the following:

- (a) Seller shall furnish daily and weekly quality data directly to Purchaser.
- (b) Seller shall have CSR and Stability tests performed in a manner consistent with procedures provided by Purchaser. Purchaser's Lab will be the control Lab.
- (c) Seller shall furnish Purchaser a monthly quality report in Purchaser's designated format, an example of which is attached hereto as Schedule 4.4(c) and incorporated herein by this reference, by the tenth (10th) day of the following month. The format shall be reviewed on an annual basis.
- (d) Whenever any delivery does not conform to the Coke Quality Specifications, Seller shall immediately furnish Purchaser with an off-spec report in Purchaser's-designated format, an example of which is attached hereto as Schedule 4.4(d) and incorporated herein by this reference, defining parameter, time, cause and corrective action.
- (e) Seller will report analyses of Coke to Purchaser using Purchaser's SPP formats, examples of which are attached hereto as Schedule 4.4(e) and incorporated herein by this reference, and will modify such formats as necessary.

(f) Seller and Purchaser will exchange samples for round robin testing between labs on a monthly basis.

4.5 Duality Committee

. Seller shall accommodate quality audits and customer/supplier meetings with Purchaser, which will be held as often as required and at least quarterly, during which appointed representatives of Seller and Purchaser shall review performance to Coke Quality Specifications, changes to Coke Quality Specifications and coal blends.

4.6 Right to Reject

. Purchaser, at its sole option, may reject any Coke that exceeds (higher or lower) one or more of the Reject Values specified in Schedule 4.1 attached hereto. Any such Coke will be considered unusable under the terms of this Agreement; provided , *however*, that:

(a) Purchaser shall be entitled to the benefit of the discount for Section 29 Tax Credits, if any, under Article V with respect to such rejected Coke to the extent such rejected Coke is sold by Seller to other than Purchaser and Seller replaces the rejected Coke with Coke not qualifying for the Credit Discount; and

(b) such rejected Coke will not be counted as satisfying Seller's minimum delivery requirements under Section 3.1, unless such rejected Coke is subsequently delivered to, and accepted by, Purchaser.

4.7 Price Adjustments

. All Coke which does not meet one or more Coke Quality Specifications, and which is not rejected by Purchaser pursuant to Section 4.6, will be subject to price adjustments based on analyses performed in accordance with Section 4.3 of this Coke Purchase Agreement, calculated according to the formulas set forth in Schedule 4.7 hereto.

4.8 Payment of Price Adjustments

.
(a) Price Adjustments (Except Alkali and Phosphorus). Seller will generate and transmit to Purchaser a monthly quality summary within fifteen (15) working days after the end of each month. The quality summary will show by day (delivery) the Tons at *****% moisture, the current price and the delivery qualities for CSR, Moisture, Sulfur, Ash, Volatile Matter, Mean Size, Size *****, and Size *****, and Bulk Density. Any price adjustments associated with the individual deliveries will be calculated and a monthly total shown. Contemporaneously with the quality summary, Seller will invoice

(debit or credit) Purchaser the amount of the price adjustments. Purchaser shall pay (debit or credit) any such quality price adjustments in immediately available funds on the first (1st) day of the month succeeding Seller's transmittal of the quality summary and invoice to Purchaser.

(b) Price Adjustments (Alkali and Phosphorus). The Alkali and Phosphorus analysis will be performed on a weekly basis and reported to Purchaser on a monthly basis as provided herein. No additional documents will be generated unless the Alkali and/or Phosphorus is in the Price Increase Range or Price Decrease Range. In the event that the Alkali and or Phosphorus is in the Price Increase Range or Price Decrease Range, Seller will generate an Off-Spec Quality Report within fifteen (15) working days after the end of each month showing the total Tons at *****% moisture, the current price, Alkali/Phosphorus, and the total associated price adjustment. Contemporaneously with the Off-Spec Quality Report, Seller will invoice (debit or credit) Purchaser the amount of the related price adjustment. Purchaser shall pay (debit or credit) any such adjustment in immediately available funds on the first (1st) day of the month succeeding Seller's transmittal of such Off-Spec Quality Report and invoice to Purchaser.

4.9 Coal Blend and Coal Supply Contracts

. Seller will purchase the coals to be included in any such coal blend at fair market value, and will procure at fair market value, such transportation and blending services as may be needed to deliver the blended coal to the Coke Plant. Seller shall not, without the prior consent of Purchaser, enter into any contracts with terms exceeding two (2) years for the supply of coals to be used in connection with the production of Coke at the Coke Plant. Such consent of Purchaser shall not be unreasonably withheld. Any of Seller's contracts (or other purchases) with or from its Affiliates for coal used in the production of Coke shall be on terms no less favorable to Seller than such terms would be had such contract or purchase been with an unrelated third-party supplier of coal.

ARTICLE V

Pricing

5.1 Contract Price Formula

. The Parties agree to use their good faith, reasonable efforts to cause the Contract Price to be as low as commercially feasible. The Contract Price per Ton of Coke sold to Purchaser

pursuant to the terms and provisions of this Coke Purchase Agreement shall be the sum of the following items:

(a) Coal Price Component: The actual cost incurred by Seller of purchasing the coal blends, together with any transportation, blending, and handling costs and the costs of any other services actually incurred by Seller as needed to deliver the blended coal to the Coke Plant. This Coal Price Component of the Contract Price will be calculated on a per Ton of coal charged to the oven basis. Coal to screened Coke yield standards as determined below will be used to convert coal price to coke cost:

- (1) Seller and Purchaser agree to test the initial coal blend in the similar cokemaking facility owned by an Affiliate of, Seller to determine initial standards for coke quality and yield. This test will be run utilizing at least ***** (*****) coke ovens for a duration of at least seven (7) days; and
- (2) As soon as practical, Seller will run control tests on the new ovens to determine final quality and yield standards for the initial blend. From time to time, Seller and Purchaser will run subsequent controlled tests and will mutually agree to change the standards as necessary. The testing procedure described in this subsection 5.1(a)(2) will be followed for any new coal blends.

(b) Operating Cost Component: The operating cost per Ton of Coke produced by the Coke Plant, calculated as the sum of the following items:

- (1) Budgeted Cost. No later than January 31, 1998, Seller shall establish a preliminary operating budget on a per Ton basis for the first year of the Initial Term, and such preliminary budget shall be revised during the third full month following Initial Full Production and such revised preliminary budget shall apply prospectively to periods following the third full month after Initial Full Production. No later than ninety (90) days prior to the end of each subsequent fiscal year, the Seller shall establish an annual budget on a per Ton basis for the Coke Plant, for the succeeding fiscal year (the "Annual Budget"), based on the following items:
 - (i) historical operations and maintenance history at similar cokemaking facilities operated by Affiliates of Seller; and

- (ii) projected annual Coke production of 1.22 Million Tons at the Coke Plant.
- (iii) labor expenses (which will not be inconsistent with market conditions and Purchaser's labor relations); and
- (iv) other conditions specific to the Coke Plant.

The preliminary budget, and each Annual Budget will set forth estimates with respect to operating costs, capital expenditures and other similar matters. The preliminary budget and each Annual Budget, as the same may be amended, shall become effective upon the occurrence of the earlier of: (A) the approval in writing by the Purchaser, or (B) the lapse of thirty (30) business days following notice of such preliminary budget and each Annual Budget to Purchaser. Seller shall use its good faith commercially reasonable efforts to operate the Cake Plant within the preliminary budget and each Annual Budget, as adopted.

If, within thirty (30) business days following notice by Seller to Purchaser of the preliminary budget and each Annual Budget, the Purchaser notifies Seller in writing of Purchaser's disapproval of such preliminary budget and each proposed Annual Budget, the Parties shall, within ninety (90) days of Seller's receipt of Purchaser's written notice of disapproval, attempt to resolve their disagreements with respect to specific line item estimates set forth in the preliminary budget and each Annual Budget. Any disagreements that remain at the end of such ninety (90) day period shall be submitted to binding arbitration in accordance with the procedures established in Article XII hereof. Notwithstanding the foregoing, Seller shall continue to operate the Coke Plant, within the limitations set forth in the preliminary budget and each Annual Budget for which a disagreement between Purchaser and Seller exists (pending resolution by the Parties or binding arbitration, as the case may be) during any such period. In the case of an extraordinary event or expenditure which was not reasonably foreseeable by Seller, Purchaser and Seller agree to negotiate in good faith to amend the budget to give effect to increased operating costs resulting from such event or expenditures.

Except for a quarter during which a Fire/Explosion Period occurs and during which Purchaser has requested a reduction in Coke Plant production, Purchaser shall receive on a quarterly basis a credit with respect to the Contract Price equal to ***** are

less than the preliminary budget and each Annual Budget estimate for the relevant period. Except for a quarter during which a Fire/Explosion Period occurs and during which Purchaser has requested a reduction in Coke Plant production, Purchaser shall be charged on a quarterly basis an amount equal to ***** exceed the preliminary budget and each Annual Budget estimate for the relevant period.

In any quarter during which a Fire/Explosion Period occurs and during which Purchaser has requested a reduction in Coke Plant Production, Purchaser will be charged for ***** Seller will use good faith reasonable commercial efforts to minimize operating costs incurred during such period; and

(2) Governmental Impositions. Operating Costs shall include all Governmental Impositions which Seller is not reasonably able to mitigate plus actual costs incurred by the Seller in the course of such mitigation.

Any increase in the Coke Plant's operating cost per Ton as a result of the amendment or revision of any Coke Quality Specifications, will be paid by Purchaser as an adjustment to the Contract Price of the Coke sold under this Coke Purchase Agreement. Likewise, Purchaser will be entitled to an adjustment to the Contract Price of the Coke sold under this Coke Purchase Agreement in an amount equal to *****.

(c) Return on Capital Component: The projected cost per Ton will provide Seller with a ***** percent (*****%) after-tax return on the total Coke Plant capital cost (using internal rate of return method of calculation) (the "Total Coke Plant Capital Cost") and will be fixed for the term of this Coke Purchase Agreement. The Return on Capital Component will be computed based on a ***** percent (*****%) combined federal/state tax rate. The Parties agree to negotiate in good faith an adjustment to the assumed tax rate and corresponding change in the Return on Capital Component if a tax in lieu, in whole or in part, of an income tax is imposed.

During the period covered by the preliminary budget the Return on Capital Component will be determined by Seller's good faith estimate of Total Coke Plant Capital Cost. During the third full month of Initial Full Production the Final Return on Capital Component will be calculated using the Computer Model attached hereto as Schedule 5.1(c). The Tons of Coke sold in 1998 shall equal Seller's good faith projection of 1998 Tons sold as projected in the third full month following Initial Full Production. In

the event of any additional capital expenditures required by applicable law or regulation, the Computer Model will be used to recalculate a new rate of return (over the remaining economically useful life of the Coke Plant) taking into account such additional capital expenditures.

(d) [Intentionally Omitted].

(e) Discount for Section 29 Tax Credits:

(1) In the event that:

(i) Coke produced by the Coke Plant and sold to parties unrelated to Seller qualifies for a tax credit under Section 29 of the Code, and an investor (together with its successors and assigns, the “Initial Investor”) acquires an interest in Seller (such investment being the “Initial Investment”), the Contract Price per Ton of Coke delivered hereunder will be reduced during the Discount Period by the Credit Discount attributable to Coke produced by the Coke Plant from Qualified Ovens; *provided, however*, that the Credit Discount will not be attributable to Coke produced from Qualified Ovens in the Coke Plant in excess of 1.22 Million Tons during any twelve (12) month period commencing on or after Initial Full Production (pro-rated for shorter periods). Seller shall use its good faith efforts to obtain an Initial Investment and subsequent investments on commercially reasonable terms to Seller, GP and GP’s Affiliates for transactions involving facilities, of this type and which takes into account the availability to the Initial Investor of tax benefits (including, without limitation, credits available pursuant to Section 29 of the Code). The terms, conditions and pricing of such Initial Investment shall be structured by Seller, in its sole discretion, taking into account opportunities to minimize the Contract Price and amounts payable by Purchaser hereunder, Seller will consult with and keep Purchaser informed regarding the progress and proposed terms of the proposed Initial Investment and subsequent investments.

(2) “Discount Period” shall mean the period commencing on the date of the Initial Investment and ending on the Flip 1 Date.

(3) The “Credit Discount” shall mean the amount determined in accordance with Schedule 5.1 (e) attached hereto and made a part hereof, but in no event exceeding ***** Dollars (\$*****) per Ton. For the period commencing on the date of the Initial Investment and ending with the end of the fifth full calendar month following the later of Initial Full Production or the date of the Initial Investment, a tentative discount will equal ***** Dollars (\$*****) per Ton, to be adjusted at the end of such period to reflect the actual Credit Discount, with an excess to be recovered by Seller by an increase in the Contract Price per Ton on the next issued invoice, plus interest at ***** basis points over the ninety (90) day U.S. Treasury bill, as quoted by the Wall Street Journal on the first business day of each month. Notwithstanding the foregoing, if the Initial Investment occurs on or before February 28, 1998, then during the period beginning on the date of the Initial Investment and ending on the earlier of June 30, 1998 or the date of Initial Full Production, the Credit Discount will be reduced by ***** Dollars (\$*****) per Ton.

If the dollar value of Section 29 Tax Credits that is allocable to the Initial Investor will be less than the dollar value of Section 29 Tax Credits that would have been allocable to the Initial Investor if such a reduction had not occurred, whether as result of a Change of Law, Phase-Out, Disallowance, or otherwise, or if a Proposed Adjustment is made that if sustained would result in such a reduction of Credits, then the Credit Discount attributable to future deliveries of Coke hereunder shall be reduced by an amount equal to the Credit Discount determined without regard to this sentence multiplied by the Disallowance Percentage (the “Disallowed Discount”). To the extent that it is subsequently determined that such reduction (other than a reduction due to a Proposed Adjustment) in the Credit Discount is not applicable, Seller shall pay Purchaser an amount equal to the Disallowed Discount attributable to such determination, plus interest at a rate equal to the ***** plus ***** basis points.

Notwithstanding the foregoing, in the case of a Proposed Adjustment, an amount equal to the otherwise Disallowed Discount shall be deposited into the escrow account as described in Article IX. Upon the Final Determination

regarding such Proposed Adjustment, Seller and Purchaser shall direct the Escrow Agent to disburse to Purchaser an amount attributable to the portion of the Proposed Adjustment not so sustained together with the Net Earnings thereon and the remainder to Seller together with the Net Earnings thereon.

The Credit Discount shall be reduced under this Section 5.1(e)(3) only in the case where the Initial Investor is protected from the loss or reduction in value of the Section 29 Tax Credits whether by means of a tax indemnity payment by GP, an extension of an Investor flip date or sharing phase or otherwise.

(4) On or before thirty days after the later of the date of the Initial Investment or the end of the third full month following Initial Full Production, Seller will compute the Credit Discount and provide Purchaser with written notice of the amount of the discount as well as a copy of the relevant calculation of the discount.

(5) In the event that:

(i) the Initial Investor or a new investor makes an investment in the Seller subsequent to the Initial Investment, whether by contribution or a purchase of a partnership interest; and

(ii) Coke produced by the Coke Plant and sold to parties unrelated to Seller continues to qualify for a credit under Section 29 of the Code,

Seller and Purchaser will negotiate a discount to the Contract Price per Ton in an amount and for a period consistent with the provisions of this subsection (e) and Schedule 5.1(e) hereto, as well as a related credit discount reduction and reimbursement provisions consistent with the provision of Section 5.1(e)(3) and (6) hereof.

During any period in which GP and Indiana Harbor Coke Corporation in the aggregate have an allocable share of Partnership revenue in excess of ***** percent (*****%), and an affiliated group filing a consolidated federal income tax return of which GP or Indiana Harbor Coke Corporation is a member, realizes an incremental cash tax benefit due to Section 29 Tax Credits attributable to the Coke Plant determined by comparing the consolidated cash tax liability due with and

without its allocable share of the Section 29 Tax Credits attributable to the Coke Plant, Seller and Purchaser agree to negotiate in good faith a discount to the Contract Price reflecting an equal sharing of such incremental benefit, to be adjusted as such consolidated tax liability is adjusted by audit, appeal, and court decision and which will include a provision whereby the independent accountants for the affiliated group including such partners will certify to Purchaser, based upon the tax returns actually filed by such group, the actual incremental cash tax benefits received by such group, and will not provide for audits by such accountants of Purchaser.

(6)

(i) If there is any loss, Disallowance or reduction in the dollar value of Section 29 Tax Credits with respect to Coke production previously allocated to the Initial Investor, then Purchaser shall repay the Credit Discount to Seller in an amount equal to the Credit Discount claimed by Purchaser during the period to which the loss, Disallowance or reduction in value relates, multiplied by the Disallowance Percentage times the Tax Rate Adjustment Factor, plus interest computed on the amount of the Credit Discount to be refunded before adjustment by the Tax Rate Adjustment Factor, from the date that Purchaser received the Credit Discount to the date of repayment at the rate provided in (ii) below (the “Credit Discount Reimbursement”); provided, however, that Purchaser shall not be required to make any payment with respect to any Disallowance of Section 29 Tax Credits being contested by GP or the Initial Investor prior to a Final Determination of such proposed adjustment, provided, further that the Credit Discount Reimbursement shall be made only in the case where the Investor is protected from the loss, Disallowance or reduction in dollar value of Section 29 Tax Credits whether by means of a tax indemnity payment by GP, an extension of an Investor flip date or sharing phase or otherwise

(ii) In the event that GP is required to make a payment to the Initial Investor pursuant to the GP Indemnity Agreement relating to any

loss, Disallowance or reduction in the dollar value of Section 29 Tax Credits, the applicable interest rate shall be the underpayment rate for large corporate underpayments as provided in section 6621(c) of the Code or its equivalent. If GP is not required to make such a payment to the Initial Investor and the loss, Disallowance or reduction in the dollar value of the Section 29 Tax Credits is equal to or greater than ***** percent (*****%) of the aggregate Section 29 Credits that would have been allocable to the Initial Investor without regard to such loss, Disallowance or reduction, the applicable interest rate shall be equal to the Investor's Percentage Return in the Computer Model. In all other cases the applicable interest rate shall equal the ***** plus ***** basis points.

(iii) In the event that either the IRS proposes in writing an adjustment to any Partnership item of income, deduction or credit or GP receives notice from the Initial Investor that it has received a notice in writing from the IRS of an adjustment, that, if agreed to by the Partnership or the Initial Investor, would result in a Credit Discount Reimbursement by Purchaser pursuant to this Agreement, Seller shall promptly notify Purchaser in writing of such proposed adjustment and of any action taken or proposed to be taken by the IRS with respect thereto. Purchaser will cooperate with GP and the Initial Investor in the contest of such item. In the event that the proposed adjustment is to be contested by the tax matters partner of the Partnership, Purchaser shall have the right to retain counsel, at its expense, to advise it with respect to the proposed adjustment, and GP shall keep Purchaser and its counsel informed as to the progress of such contest, give Purchaser and its counsel the opportunity to review and comment in advance on written submissions, filings and proposed settlements that relate to such proposed adjustment, and consider in good faith any suggestions made by Purchaser or its counsel. Likewise, in the event that the proposed adjustment is to be contested by the Investor, Purchaser shall have the right to retain counsel, at its expense, to advise it with respect to the proposed adjustment, and GP shall, to the extent not

inconsistent with the rights GP has from the Investor, keep Purchaser and its counsel informed as to the progress of such contest, give Purchaser and its counsel the opportunity to review and comment to GP in advance on written submissions, filings and proposed settlements that relate to such proposed adjustment, and consider in good faith any suggestions made by Purchaser or its counsel. GP agrees to administratively contest any adjustment proposed in a partnership proceeding that, if sustained, would result in a Credit Discount Reimbursement and agrees to litigate such proposed disallowance (the particular court chosen being at the discretion of the GP) to the extent it cannot be administratively settled on reasonable terms, unless the GP receives a reasoned opinion of recognized outside tax counsel of Seller that there does not exist a reasonable possibility of success with respect to such matter. GP also agrees to appeal any adverse court decision unless Seller delivers to Purchaser a written reasoned opinion of recognized outside tax counsel of Seller to the effect that it is more likely than not that the appeal will not be successful. Purchaser shall reimburse Seller an amount equal to the Applicable Percentage multiplied by all reasonable third party costs and out-of-pocket expenses that GP incurs in connection with the contest of such proposed adjustment by itself or by the Initial Investor including, without limitation, reasonable legal, witness and accounting fees and expenses, and in the case of proceedings before the Court of Federal Claims or Federal District Court, the amount of tax for which refund is claimed, any deposit related to such proceedings and any applicable interest, and in the case of appeal of a Tax Court decision, the cost of any bond filed pursuant to section 7485 of the Code or similar expense, payable within twenty (20) Business Days of invoice including a detailed description of the amount set forth in the invoice. , To the extent that such proceedings are resolved unfavorably to the IRS, Seller shall repay to Purchaser such amount of tax, deposit, bond, or similar item, together with any interest received with respect thereto. In no event shall Purchaser's ultimate liability for interest under Section 5.1(e)

(6) hereunder, but without regard to interest payable at the Overdue Rate, exceed that stated in Section 5.1(e)(6)(ii), with reconciliation and any payment due as a result thereof by Seller to Purchaser to be made within twenty (20) Business Days of the Final Determination of a proposed adjustment. Notwithstanding the foregoing, the GP may settle any disallowance or terminate any proceedings described in this paragraph in good faith, or consent thereto in good faith where the proposed adjustment is contested by the Initial Investor.

(iv) During any period in which Purchaser is in default of its obligations under subparagraph 5.1(e)(6)(i) above for more than thirty (30) days, Purchaser shall deposit the entire amount of any applicable Credit Discount to the escrow account established pursuant to the provisions of Article IX hereof, and the amount thereof shall be deposited with Escrow Agent pursuant to the Escrow established under Article IX hereof, until Purchaser ceases to be in default of such obligations under subparagraph 6(i), whereupon the Escrow Agent, upon direction by Seller and Purchaser, shall disburse such amount, together with the Net Earnings thereon to Purchaser.

(v) Payments required by Section 5.1(e)(6) shall be made by electronic bank transfer in immediately available funds in accordance with instructions provided by Seller, and shall be made within ten business days of Seller's notice to Purchaser of its liability hereunder. Seller's notice of payment due under this subsection will include an explanation of the events resulting in Purchaser's obligation hereunder and a reasonably detailed computation of the amount of such obligation. Late payments will be subject to interest at the Overdue Rate.

(f) Certain Revenues. As part of the monthly billing and invoicing procedures described herein in Article VII, during the term of this Coke Purchase Agreement, operating costs for any one month period will be credited with the amount of ***** multiplied by a percentage, the numerator of which will be ***** and the denominator of which will be *****.

5.2 Intention of the Parties

. Unless otherwise specifically provided for in this Coke Purchase Agreement, the Parties acknowledge that it is their intention that Purchaser shall have the benefit of the Credit Discount for the number of Tons of Coke purchased by the Purchaser but not exceeding the lesser of:

- (a) 1.22 Million Tons;
- (b) or the number of Tons of Coke produced by the Coke Plant per Contract Year.

Notwithstanding any other provision of this Coke Purchase Agreement, the intention of the Parties as stated herein shall be given effect hereunder.

ARTICLE VI

Delivery and Shipment

6.1 Equal Daily Deliveries

. Deliveries of Coke supplied under this Coke Purchase Agreement shall be in approximately equal daily increments during the relevant Contract Year period. It is expressly understood and agreed that the Coke delivered under this Coke Purchase Agreement will, pursuant to Purchaser's designation, be delivered to the conveyor belting leading to Purchaser's No. 7 Blast Furnace, into railcars for subsequent delivery to Purchaser, at Purchaser's instruction in accordance with Article VIII hereof into a stockpile, or, at Purchaser's cost, to any other location designated by Purchaser.

6.2 Weights

. All deliveries of Coke from the Coke Plant will be weighed by Seller's belt scales. These weights shall govern and shall be used by Seller in invoicing the Coke delivered hereunder from the Coke Plant. Such scales shall be properly inspected and certified at intervals of not more than six (6) months. Following each inspection, a certification or record of certification shall be promptly forwarded to Purchaser, with a copy to Seller.

6.3 Title and Risk of Loss

. Title and all risk of loss, damage or destruction with respect to the Coke sold hereunder will pass to Purchaser when such Coke has been delivered in accordance with Section 6.1 of this Coke Purchase Agreement.

ARTICLE VII

Billing and Payment

7.1 Payment Terms and Invoicing

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(g) From the date of this Agreement until December 31, 2007, on the fifteenth (15th) day of each month, Seller shall transmit to Purchaser a provisional invoice on a monthly basis for the amount due for the quantity of Coke purchased by the Purchaser during the immediately preceding month and such amount shall be due and payable in immediately available funds on the first business day of the month following the month during which such provisional invoice is transmitted to Purchaser. Final adjustments to the provisional invoice will be made on a final invoice delivered to Purchaser contemporaneously with the next month's provisional invoice. Positive adjustments (in favor of Purchaser) will be credited to Purchaser's account and deducted from any amount due on the current provisional invoice. Negative adjustments (in favor of the Seller) will be payable in immediately available funds on the first business day of the month following the month in which such final adjustments have been transmitted to Purchaser.

(h) On and after January 1, 2008, on the fifteenth (15th) day of each month, Seller shall transmit to Purchaser a provisional invoice on a monthly basis for the amount due for the quantity of Coke purchased by the Purchaser during such month and such amount shall be due and payable in immediately available funds on the last business day of the month during which such provisional invoice is transmitted to Purchaser. Final adjustments to the provisional invoice will be made on a final invoice delivered to Purchaser contemporaneously with the next month's provisional invoice. Positive adjustments (in favor of the Seller) will be payable in immediately available funds on the last business day of the month during which such final adjustments have been transmitted to Purchaser.

(i) All invoices shall be mailed to the following billing address for Purchaser:

Inland Steel Accounts Payable

P.O. Box 261249

Plano, TX 75026-1249

FAX: (972) 605-0122

Confirm: (972) 605-0113

with a copy to Inland Steel Company at the address for notices to Purchaser as set forth in the Notices provisions of Section 15.1 hereof. Interest shall accrue at the rate of prime plus two percent (2%) as quoted by Chase Manhattan Bank, New York (the "Overdue Rate") on any amounts payable by the Purchaser to the Seller pursuant to this Section 7.1 from the date such amount is determined to have been due through but excluding the date on which payment of such amount is made. Should Purchaser fail to take the Minimum Coke Purchase Requirement for any monthly period, Purchaser shall nonetheless be obligated to pay the Contract Price for Purchaser's Minimum Coke Purchase Requirement for such monthly period.

7.2 No Set-Off

. Unless an Event of Default on the part of the Seller is continuing, the payment by the Purchaser of amounts due under this Agreement shall not be subject to any defense, counterclaim, recoupment, right of setoff or other condition of any nature whatsoever.

ARTICLE VIII

Stockpiled Coke

8.1 Stockpiled Coke

. In the event Purchaser is prevented from accepting shipments of Coke which it has purchased under this Coke Purchase Agreement, Purchaser shall have the right, upon eight (8) hours prior notice to Seller, to instruct Seller to stockpile the Coke at the Coke Plant (the "Stockpiled Coke") as a result of general business conditions or other factors. Stockpiled Coke shall be rescreened and Purchaser and Seller shall cooperate in scheduling the shipment of Stockpiled Coke and production Coke in order to reduce the volume of Stockpiled Coke in an orderly manner throughout the term of this Coke Purchase Agreement. With respect to Stockpiled Coke, Purchaser will pay the Contract Price for such Coke as though the Coke had been delivered to Purchaser for that month. Purchaser shall reimburse Seller for the actual costs incurred by Seller in connection with the handling of such Coke. The Parties hereby acknowledge and expect that some amount of Stockpiled Coke will be lost as a matter of course, incidental to handling and transportation. Any such loss of Stockpiled Coke will be borne by the Purchaser. In reclaiming Stockpiled Coke, it is understood that there will be no guarantee of the specification regarding moisture. Additionally, if such Stockpiled Coke is blended with freshly produced Coke, there will **be no** guarantee of the specification regarding moisture.

ARTICLE IX

Escrow Account for Credit Discount

9.1 Establishment of Escrow Account

. Pursuant to the terms and provisions of this Coke Purchase Agreement, Purchaser is entitled to receive from Seller the Credit Discount described more particularly in Section 5.1(e) hereof. In order to induce Seller to enter into this Coke Purchase Agreement and as further security for the obligations of Purchaser under Section 5.1(e)(6) hereof, Purchaser hereby agrees that it will tender payment to Seller in the amounts invoiced pursuant to Article VII of this Coke Purchase Agreement, such invoiced amounts to be calculated using the methodology set forth in Article V giving effect to the provisions of Section 5.1(e) thereof regarding the Credit Discount.

During the first five (5) calendar years following the availability of any Credit Discount, Purchaser will deposit an amount equal to *****percent (*****%) of the applicable Credit Discount, if any, into an escrow account established and maintained with a financial institution that performs such services on a routine basis and is mutually acceptable to both Parties (the “Escrow Agent”). The Purchaser and Seller shall pay equally all costs and fees in regard to this escrow,

9.2 Purchaser’s Failure to Reimburse/Indemnify Seller

. The Escrow Agent shall hold the escrowed funds in part as security for the performance by Purchaser of its obligations to pay Seller any Credit Discount Reimbursement or other sums pursuant to Section 5.1(e)(6).

In the event of any failure of Purchaser to perform with regard to its obligations to reimburse or otherwise indemnify Seller pursuant to Section 5.1(e)(6) hereof the Escrow Agent, upon receipt of appropriate written instructions pursuant to the Escrow Agreement, shall transfer to Seller the amount specified in such written instructions. To the extent that any escrow account balance is left following release of such amount to Seller, that balance shall remain in the escrow account. If the funds in the escrow account are insufficient to cover the Purchaser’s liability with regard to such reimbursement or indemnification obligation, then Purchaser will remain liable to Seller for any deficiency.

9.3 Release of Escrow

. In the absence of any failure of Purchaser to perform with regard to its obligations to reimburse or otherwise indemnify Seller pursuant to Section 5.1(e)(6) hereof, and upon the first to occur of any of the following events, the escrow shall be released, and the Parties shall direct

the Escrow Agent to transfer to the Purchaser, all the principal amounts previously deposited into the escrow account under Section 9.1 hereof, together with all Net Earnings accrued thereon from the time of deposit:

- (c) five (5) years from the date the Partnership's federal tax return is filed for the taxable year in which the Initial Investment is made (the "Designated Year");
- (d) issuance of an examination report for the Designated Year;
- (e) executed Form 870-P (Agreement to Assessment and Collection of Deficiency and Tax for Partnership Adjustments) for the Designated Year;
- (f) issuance of a Notice of Final Partnership Administrative Adjustment for the Designated Year; or
- (g) expiration of the statute of limitations for assessments for the Partnership for the Designated Year.

Notwithstanding the foregoing, escrowed amounts will not be released to the extent that a Proposed Adjustment has been made for any Partnership taxable year that, if sustained, would result in a reduction in the dollar value of Section 29 Tax Credits that otherwise was allocated to the Initial Investor which reduction would give rise to a reduction in the amount of the Credit Discount or a deposit to the escrow account pursuant to Section 5.1(e) hereof.

To the extent that such a Proposed Adjustment is not sustained in a Final Determination, escrowed funds will be released provided that if there is an outstanding Proposed Adjustment for any Partnership taxable year that, if sustained, would result in a reduction in the dollar value of Section 29 Tax Credits that otherwise was allocated to the Initial Investor, escrowed funds will be retained in the escrow sufficient to cover Purchaser's obligations hereunder with respect to such outstanding Proposed Adjustment.

9.4 Escrow Agreement

. The Parties agree that any escrow account created in accordance with Section 9.1 hereof shall be established with, and managed by, the Escrow Agent, pursuant to an Escrow Agreement in form and content substantially similar to that attached hereto as Exhibit C.

ARTICLE X

Events of Default

Each of the events described in Sections 10.1 through 10.4 (whether voluntary or involuntary or brought about or effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall be an event of default (“Event of Default”) under this Coke Purchase Agreement:

10.1 Purchaser’s Failure to Take or Pay

. With respect to Purchaser, the failure of Purchaser to:

- (a) make any payment required of Purchaser under this Coke Purchase Agreement; or
- (b) take or otherwise physically accept delivery of Coke in accordance with this Coke Purchase

Agreement, which failure is not cured or remedied within five (5) days of written notice of same given by Seller; *provided, however*, that any failure of Purchaser described by this Section 10.1 shall not constitute an Event of Default if:

- (1) Purchaser has instituted corrective action within such five (5) day period that is reasonably likely to produce a cure or remedy of such failure; and
- (2) Purchaser diligently pursues such action until such failure is corrected, cured or remedied, but in all events not more than thirty (30) days from the date of the written notice of such failure.

10.2 Seller’s Failure to Deliver

. With respect to Seller, the unexcused failure of Seller to deliver Coke in accordance with this Coke Purchase Agreement, which failure has not been corrected, cured, or remedied within five (5) days after written notice of such failure has been received by Seller; *provided, however*, that any failure of Seller described by this Section 10.2 shall not constitute an Event of Default if

- (h) Seller has instituted corrective action acceptable to Purchaser within such five (5) day period that is reasonably likely to produce a cure or remedy of such failure; and
- (i) Seller diligently pursues such action until such failure is corrected, cured or remedied, but in all events not more than thirty (30) days from the date of the written notice of such failure.

10.3 Insolvency or Bankruptcy of Purchaser or Seller. If the Purchaser or Seller shall:

- (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property;

(b) make a general assignment for the benefit of its creditors;

(c) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect);

(d) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts;

(e) take any action for the purpose of effecting any of the foregoing; or

(f) be a party in a proceeding or case shall be commenced against Purchaser or Seller, as the case may be, without the application or consent of the Purchaser or Seller, as the case may be, in any court of competent jurisdiction, seeking:

(1) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts;

(2) the appointment of a trustees receiver, custodian, liquidator or the like of Seller or Purchaser, as the case may be, of all or any substantial part of its assets; or

(3) similar relief in respect of the Purchaser under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts,

and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) or more days; or an order for relief against Seller or Purchaser, as the case may be, shall be entered in an involuntary case under the Bankruptcy Code; or

10.4 Failure to Perform Covenants, Etc.

With respect to either Party, any breach in the due performance or observance of, or compliance with, any other agreement, covenant or provision hereof, which breach has not been corrected, cured or remedied within sixty (60) days after written notice of such breach has been given to the breaching Party by the non-breaching Party.

10.5 Termination for Breach

. Except as otherwise provided herein, upon the occurrence of any Event of Default, that remains uncured or uncorrected and unremedied for the respective periods described in Sections

10.1 through 10.4 hereof, this Coke Purchase Agreement may be terminated at the option of the non-defaulting Party immediately upon the giving of written notice of termination to the Party in default. The ability of the non-breaching Party to terminate this Coke Purchase Agreement will be in addition to any other remedies such Party may otherwise be allowed by law, or under this Coke Purchase Agreement. No such termination shall release either Party from any obligations that may have accrued with respect to this Coke Purchase Contract prior to such termination.

ARTICLE XI

Force Majeure

11.1 Force Majeure

. Neither Party will be responsible for any failure to perform, caused in whole or in part by unforeseeable causes beyond the control and without the fault or negligence of the Party affected thereby, including: acts of God, acts of the public enemy, insurrections, riots, strikes, lockouts, labor disputes, labor or material shortages, floods, interruptions to transportation, embargoes, acts of military authorities, or other causes of a similar nature which wholly or partly prevent the production, delivery or transportation of Coke by the Seller, or the receiving, accepting and/or utilizing of the Coke by the Purchaser. The Party so prevented from complying will give prompt written notice to the other Party of the nature and probable duration of such Force Majeure, and of the extent of its affects on such party's performance hereunder; *provided, however*, that equipment failures of any kind caused primarily as a result of ordinary wear and tear or routine use over an extended period shall not be deemed an event of Force Majeure for purposes of this Coke Purchase Agreement.

Each Party will, in the event it experiences a force majeure event, make all reasonable efforts to remove such disability as soon as possible (except for labor disputes which will be solely within said Party's discretion), and once the disability is removed this Coke Purchase Agreement will be reinstated. During any period of Force Majeure related to Purchaser's No. 7 Blast Furnace at its Indiana Harbor Works facility, Purchaser will use Coke from Seller's Coke Plant to fulfill Purchaser's Coke requirements to supply its other Indiana Harbor Works blast furnaces, before using any other source of coke. During any period of Force Majeure relating to Seller's Coke Plant, all production of Coke from the Coke Plant, up to Purchaser's maximum take or pay obligation, will be supplied to Purchaser before any Coke from Seller's Coke Plant may be sold to third parties.

11.2 Special Excuse for Nonperformance by Purchaser

. Purchaser's obligation to purchase the Coke produced by the Coke Plant will be further qualified by the need, during the term of this Coke Purchase Agreement, to reline Purchaser's No. 7 Blast Furnace. In order to be entitled to claim the benefit of this Section 11.2, Purchaser must furnish written notice to Seller at least one (1) year in advance of any contemplated relining of Purchaser's Blast Furnace No. 7, and such written notice must specify the probable duration of such relining. During the period necessary to complete the relining of Purchaser's Blast Furnace No. 7, it being understood that such period shall in no event exceed five (5) months, Purchaser will use its best efforts to utilize the Coke produced by the Coke Plant in Purchaser's other blast furnaces. At least two weeks prior to the completion of any relining of Purchaser's No. 7 Blast Furnace, Purchaser shall notify Seller in writing as to Purchaser's intended date of restart of operations at its No. 7 Blast Furnace, so that this Coke Purchase Agreement may be reinstated at the appropriate time. Purchaser will promptly inform Seller in writing in the event of any changes reasonably likely to delay Purchaser's intended date of restart of operations at its No. 7 Blast Furnace by more than five (5) days.

11.3 Major Fire or Explosion

. Immediately following any major fire or explosion that Purchaser reasonably believes will render it wholly incapable of receiving, accepting and/or utilizing Coke at Purchaser's No. 7 Blast Furnace for a period of at least thirty (30) days duration, Purchaser will furnish Seller with a written notice containing a description of such fire or explosion, together with Purchaser's reasonable good faith estimate of the duration of its inability to accept or utilize Coke at Purchaser's No. 7 Blast Furnace. In such written notice to Seller, Purchaser may elect to reduce the Minimum Coke Purchase Requirement by up to one-third (1/3) during the period that Purchaser is wholly incapable of receiving, accepting and/or utilizing Coke at Purchaser's No. 7 Blast Furnace and the additional period referred to in Section 11.3 (e) (these two periods together being the "Fire/Explosion Period"). During the Fire/Explosion Period:

(e) Production of Coke from the Coke Plant shall be set at a level to include:

(4) the reduced Minimum Purchase Requirement requested by Purchaser pursuant to this Section 11.3;

(5) Seller's pre-existing sales contract amounts;

(6) additional amounts requested by Seller, to the extent such additional amounts are approved by Purchaser;

(f) Purchaser will accept delivery of the reduced Tonnages of Coke it has agreed to take during the Fire/Explosion Period and Purchaser may elect to have Seller resell such purchased Coke to others on Purchaser's behalf in accordance with Section 3.1(e) of this Agreement;

(g) Purchaser will pay to Seller an amount equal to the product of the Return on Capital Component of the Contract Price, multiplied by the difference between: the Minimum Coke Purchase Requirement (calculated on a daily basis and unadjusted by this Section 1.3) and the actual level of Coke Plant production during the Fire/Explosion Period;

(h) Purchaser will continue to receive any Credit Discount available with regard to the Tonnages of Coke actually purchased and accepted by Purchaser under this Section 11.3; and

(i) Purchaser shall notify Seller in writing as to Purchaser's intended date of restart of operations at its No. 7 Blast Furnace and, at Purchaser's election, Purchaser may continue to take Coke at the reduced level for so long as is necessary for Purchaser to utilize stockpiles of Coke accumulated solely as a result of any major fire or explosion described by this Section 11.3. During any such period of continued reduced taking of Coke by Purchaser, Seller will continue to collect from Purchaser the amount described by Section 11.3(c).

ARTICLE XII

Arbitration

12.1 Interpretation and Dispute Resolution

(g) Any claim or controversy between the parties hereto arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in Chicago pursuant to the terms of the United States Arbitration Act, or failing federal jurisdiction, the law of the State of Illinois excluding choice of law rules;

(h) The Parties shall attempt to agree on the selection of an arbitrator within forty-five (45) days from receipt of notice of intent to arbitrate. If the Parties cannot agree on an arbitrator then either Party may move to have the arbitrator appointed by the United States District Court for the Northern District of Illinois or, failing federal jurisdiction, by

the Circuit Court of Cook County. Time shall be of the essence in nomination of the arbitrator.

(i) The arbitration award by the arbitrator shall be final and binding, and may include costs, including reasonable attorney's fees. The Parties hereby submit themselves to the jurisdiction of the United States District Court for the Northern District of Illinois and the Circuit Court of Cook County for all matters relating to any arbitration hereunder. These Courts as well as any other court of competent jurisdiction, shall have jurisdiction with respect to the enforcement of any arbitrable award and all other matters relating to any arbitration hereunder.

(j) Any arbitration hereunder shall be conducted in accordance with the rules of the American Arbitration Association, unless otherwise agreed by the Parties hereto.

(k) Upon settlement of a dispute or arbitration award, if it is determined that an amount is due from one Party to the other, then such amount will promptly be paid to the Party to whom it is due in addition to interest on any such amount accrued from the date such amount is determined to have been due through but excluding the date on which payment of such amount is made, at the Overdue Rate, as of the date such amount is determined to have been due.

ARTICLE XIII

Warranties

13. Title. Seller warrants that at the time of delivery of the Coke, Seller shall have good title and full right and authority to transfer such Coke to Purchaser and that the title conveyed shall be good and its transfer shall be rightful and that such Coke shall be delivered free from any security interest or other lien or encumbrance

13.1 Quality.

Seller warrants that the Coke purchased by Purchaser hereunder shall conform to the coke quality specifications set forth in Schedule 4.1.

13.2 Limitation of Warranties

. THE FOREGOING WARRANTIES IN THIS ARTICLE XIII ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR IMPLIED OR IN FACT OR IN LAW, AND WHETHER BASED ON STATUTE, CONTRACT,

TORT, STRICT LIABILITY OR OTHERWISE. THE WARRANTY OF MERCHANTABILITY AND WARRANTY OF FITNESS FOR PARTICULAR PURPOSE ARE EXPRESSLY EXCLUDED AND DISCLAIMED. WITH RESPECT TO THE COKE, PURCHASER'S EXCLUSIVE REMEDY FOR BREACH OF THE WARRANTIES SHALL BE LIMITED TO A REFUND OF THE PURCHASE PRICE OR REPLACEMENT OF ALL NONCONFORMING COKE SHOWN TO BE OTHERWISE THAN AS WARRANTED OR DEFICIENT IN QUALITY.

13.3 Suitability

. The determination of suitability of the Coke for the use contemplated by Purchaser is the sole responsibility of the Purchaser, and Seller shall have no responsibility in connection therewith.

ARTICLE XIV

Conditions Precedent; Early Termination

14.1 Conditions Precedent

. The respective obligations of each of the Purchaser and the Seller under this Coke Purchase Agreement are subject to the satisfaction of the following conditions (any or all of which may be waived, subject to applicable law) on or before November 12, 1996:

(a) All appropriate action, corporate and otherwise, necessary to authorize and approve the transactions contemplated by this Coke Purchase Agreement shall have been taken by each Party and/or such Party's parent corporation, and each Party hereby represents that none of the actions contemplated by the Coke Purchase Agreement will violate the relevant provisions of such Party's charter documents, bylaws, or any resolutions of such Party's board of directors.

(b) The Parties shall have performed in all material respects all obligations contained in this Coke Purchase Agreement to be performed or complied with by each of the Parties respectively prior to execution hereof.

(c) No federal or state court of competent jurisdiction or any governmental authority or agency shall have enacted or issued a law, rule, regulation, order, decree or ruling, or taken any other action which, in the reasonable opinion of respective counsel to each Party, restrains, enjoins or otherwise prohibits any of the actions contemplated hereby.

(d) a Site Lease, by and between Purchaser and Seller pertaining to the real property on which the Coke Plant will be located containing provisions requiring Seller's

leasehold interest to convert to a fee simple ownership in the event of an uncured Event of Default, with appropriate terms permitting Purchaser to repurchase the such real property in the event that Seller should subsequently abandon the Coke Plant;

(e) an Environmental Indemnity Agreement, in form and substance mutually acceptable to the parties by and among Seller, Purchaser and Cokenergy;

(f) a Cooperation Agreement, in form and substance mutually acceptable to the parties by and among Purchaser, Seller and Cokenergy;

(g) a Confidentiality Agreement, in form and substance mutually acceptable to the parties by and among Purchaser, Seller and Cokenergy;

(h) a Guaranty Agreement from Inland Steel Industries, in substantially the form attached hereto as Exhibit A-1 and a Guaranty Agreement from Sun Company, Inc. in the form attached hereto as Exhibit A-2;

(i) a Guaranty Agreement from Elk River Resources, Inc. in substantially the form attached hereto as Exhibit B ;

(j) a letter agreement between Seller and Purchaser relating to the provision of certain non-management employees of Purchaser to Seller;

(k) Schedules 4.4 (c), (d) and (e);

(l) The following agreements, contracts or letters of understanding shall be executed and delivered prior to or contemporaneously with this Coke Purchase Agreement:

(1) an Access, Operating and Fuel Supply and Processing Agreement by and between Seller and Cokenergy, Inc., an Indiana corporation, pertaining to the operation of an energy facility to be constructed adjacent to the Coke Plant;

(2) an Engineering, Procurement and Construction Contract between Seller, and Raytheon Engineers & Constructors, Inc., a Delaware corporation ("Raytheon"), for the construction of the Coke Plant;

(3) a Tolling Agreement between Purchaser and Cokenergy;

14.2 Mutual Undertakings

. Each Party agrees to use its best efforts to negotiate, execute and deliver, or to cause to be executed and delivered, the agreements and instruments listed herein in Sections 14.1 (a) through (1) on or prior to November 12, 1996.

14.3 Early Termination

. The Parties each hereby acknowledge that Seller is proceeding on an interim basis specifically to pursue the site work necessary to evaluate the deep dynamic compaction technique for construction of the Coke Plant. The Parties do not anticipate that the testing necessary to such an evaluation will be completed prior to November 12, 1996. In the event that either Purchaser or Seller determines that it is no longer feasible to proceed with the construction of the Coke Plant, or in the event that

(a) any condition set forth in Sections 14.1 (a) through (1) has not been satisfied;

(b) either Purchaser or Cokenergy shall exercise their rights to terminate their Tolling Agreement on or before November 12, 1996;

(c) either Seller or Raytheon shall exercise their rights to terminate their Engineering, Procurement and Construction Contract on or before November 12, 1996, or

(d) either Seller or Cokenergy shall exercise their rights to terminate their Access, Operating and Fuel Supply and Processing Agreement, on or before November 12, 1996,

then either Party, upon prior notification to the other Party, may terminate this Coke Purchase Agreement on or before November 12, 1996, without any further obligation to such other Party; *provided, however*, that Purchaser will promptly reimburse Seller for any and all costs and fees actually incurred by Seller on or before November 12, 1996 (including, but not limited to, scheduled payments made pursuant to any agreement for the construction of the Coke Plant, cancellation fees, and/or payments made to vendors for construction materials and otherwise) in excess of *****Dollars (\$*****); *further, provided*, Seller shall pay ***** (*****) and Purchaser shall pay ***** (*****) of such costs and fees up to an aggregate amount of *****Dollars (\$*****), all of the foregoing in this subsection (d) being capped at \$*****.

14.4 Environmental Permit

. In the event that the Indiana Department of Environmental Management shall not have issued the relevant permit or permits on or before December 30, 1996 necessary for the construction and/or operation of each of:

(a) the Coke Plant, and

(b) any facility constructed by Cokenergy in connection with the obligations of Cokenergy under that certain Tolling Agreement, dated of even date herewith, between Purchaser and Cokenergy, on terms and conditions satisfactory to Seller, or Purchaser shall have determined in its discretion that such permit or permits will not be issued by December 30, 1996 and notified Seller thereof in writing; then neither Seller nor Purchaser shall have any further obligation under this Coke Purchase Agreement, this Coke Purchase Agreement shall terminate and be of no further force and effect, and Purchaser will promptly reimburse Seller for any and all costs and fees actually incurred by Seller on or before the date of such termination; it being understood that if this Coke Purchase Agreement is terminated pursuant to this Section 14.4 after November 12, 1996 and on or before December 20, 1996, the amount due Seller by Purchaser will be \$*****; if this Coke Purchase Agreement is terminated pursuant to this Section 4.4 after December 20, 1996, the amount due Seller by Purchaser shall be equal to the amount necessary for Seller to fulfill its obligation to reimburse Raytheon for the following:

- (1) all work performed by Raytheon on or before December 30, 1996, pursuant to its Engineering, Procurement and Construction Contract with Seller;
- (2) cancellation fees payable by Raytheon to vendors as a result of the termination of the Engineering, Procurement and Construction Contract after December 20, 1996 and on or before December 30, 1996; and
- (3) a management fee equal to ***** percent (*****%) of the sum of the amounts in (1) and (2) above.

On or before November 12, 1996, Seller will provide Purchaser with the calculation of such amount.

ARTICLE XV

Miscellaneous

15.1 No Violation; Collective Bargaining Agreements

. Purchaser and Seller each warrant that this Coke Purchase Agreement is not inconsistent with any existing respective legal or contractual obligations of such Party, Purchaser or Seller including, without limitation, any court orders, administrative agency orders or arbitration awards, any agreements between such Party and that Party's employees or third parties, including any collective bargaining agreement(s) by which such Party may be bound.

Purchaser

and Seller each expressly represent and warrant that it is not a responsible party to any collective bargaining agreement that would, if complied with by it or if sought to be enforced by another party, prevent Seller from realizing the benefits of this Coke Purchase Agreement or prevent Seller from exercising operational control of the Coke Plant to the fullest extent possible under the terms of this Coke Purchase Agreement. Purchaser shall not enter into any collective bargaining agreements or other agreements addressed directly or indirectly to the operation of the Coke Plant, or which would have a consequential impact on the operation of the Coke Plant, adverse to the interests of Seller under this Coke Purchase Agreement.

15.2 Notices

. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been duly given or made upon:

- (e) delivery by hand;
- (f) one business day after being sent by overnight courier;
- (g) four business days after being deposited in the United States mail, postage prepaid; or
- (h) in the case of transmission by facsimile, when confirmation of receipt is obtained. Such

communications shall be addressed and directed to the Parties listed below (except where this Coke Purchase Agreement expressly provides that it be directed to another) as follows, or to such other address or recipient for a Party as may be hereafter notified by such Party hereunder:

If to Seller to:
INDIANA HARBOR COKE COMPANY, L.P.
Landmark Center, Suite N-300
1111 Northshore Drive
P.O. Box 10388
Knoxville, TN 37939-0388
Attn: Dale Walker
FAX: (423) 558-3280
Confirm: (423) 558-0300

If to Purchaser, to:
INLAND STEEL COMPANY
3210 East Watling Street
East Chicago, IN 46312
Attn: Michael Tarkoff
Mail Code 8-160
FAX: (219) 399-5429
Confirm: (219) 399-5305

15.3 No Special Damages; Governing Law

. NEITHER SELLER NOR PURCHASER NOR ANY OF THEIR RESPECTIVE AFFILIATES SHALL BE LIABLE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES FOR BREACH OF ANY WARRANTY OR OTHERWISE.

NOTHING HEREIN SHALL LIMIT EITHER PURCHASER'S LIABILITY TO SELLER TO TAKE AND PAY FOR COKE DELIVERED IN ACCORDANCE WITH THIS COKE PURCHASE AGREEMENT, OR SELLER'S OBLIGATION TO PURCHASER TO DELIVER COKE IN ACCORDANCE WITH THIS COKE PURCHASE AGREEMENT. THIS COKE PURCHASE AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY, THE LAWS OF THE STATE OF INDIANA WITHOUT REGARD TO ITS CONFLICTS OF LAW PROVISIONS, AND THE RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER WILL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

15.4 Counterparts

. This Coke Purchase Agreement may be executed in any number of counterparts and by the different Parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with Sun Coal Company.

15.5 Severability

. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent it is not prohibited or unenforceable, nor invalidate the other provisions hereof.

15.6 Entire Agreement

. This Coke Purchase Agreement constitutes the entire agreement and supersedes any and all other agreements, oral or written, between the Parties hereto, in respect of the subject matter of this Coke Purchase Agreement and embodies the entire understanding of the Parties with respect to the subject matter hereof.

15.7 Captions

. The captions at the beginning of each of the numbered Sections and Articles herein are for reference purposes only and will have no legal force or effect. Such captions will not be considered a part of this Agreement for purposes of interpreting, construing or applying this Agreement and will not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms and conditions.

15.8 Amendment

. This Coke Purchase Agreement shall not be amended or modified except by an instrument in writing executed by both Parties to this Coke Purchase Agreement as of the effective date of such amendment.

15.9 Independent Contractors

. This Coke Purchase Agreement shall not constitute either Party the partner, legal representative or agent of the other, nor shall either Party have the right or authority to assume, create or incur any liability or any obligation of any kind implied, against or in the name or on behalf of the other.

15.10 Waivers and Remedies

. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights, but the same shall continue and remain in full force and effect. Except as otherwise expressly limited in this Coke Purchase Agreement, all remedies under this Coke Purchase Agreement shall be cumulative and in addition to every other remedy provided for herein or by law.

15.11 Confidentiality

. The Purchaser and Seller and their respective Affiliates, officers, directors, employees and agents shall hold in confidence and not disclose any Confidential Information.

15.12 Essence of Time

. Time is of the essence in this Coke Purchase Agreement and in each and all of the provisions hereof, but the time for any act or performance required hereunder may be extended by written mutual agreement of the Parties or by a written waiver by the Party to which such act or performance is promised.

15.13 Assignability

. Neither Purchaser or Seller shall, without prior written consent of the other first had and obtained, assign any of its rights or obligations under this Coke Purchase Agreement.

15.14 Audit of Records

. Purchaser and Seller or their auditing representatives may, upon at least forty-eight (48) hours' prior written notice and during normal working hours, audit the others records relating to weights, volumes, and quality, of Coke, and prices of coal purchased by Seller, and to verify any and all amounts paid or payable by Purchaser to Seller or by Seller to Purchaser under this Coke Purchase Agreement (including matters set forth in Article V).

[COUNTERPART SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Coke Purchase Agreement to be executed by their respective duly authorized officers, as of the date first above written.

INDIANA HARBOR COKE COMPANY, Indiana Harbor Coke
L.P. Company
By: General Partner

By: /s/ Barry H. Rosenberg
Name: Barry H. Rosenberg

Title: Vice President

INLAND STEEL COMPANY

By: /s/ Cynthia C. Heath
Name: C.C. Heath
Title: VP – Finance

Schedule 4.1 to the Coke Purchase Agreement
Coke Quality Specifications

	PRICE INCREASE RANGE	MINIMUM VALUE	AVERAGE	MAXIMUM VALUE	PRICE DECREASE RANGE	REJECT VALUE
Ash - Dry Basis*(%)	*****	*****	*****	*****	*****	*****
Stability - Index*	*****	*****	*****	*****	*****	*****
Mean Size (mm)	*****	*****	*****	*****	*****	*****
Moisture (k)	*****	*****	*****	*****	*****	*****
Alkalies* (%)	*****	*****	*****	*****	*****	*****
Phosphorus* (%)	*****	*****	*****	*****	*****	*****
Sulfur - Dry Basis*(%)	*****	*****	*****	*****	*****	*****
0.61	*****	*****	*****	*****	*****	*****
CSR - Index*	*****	*****	*****	*****	*****	*****
Size < ***** (%)	*****	*****	*****	*****	*****	*****
Size > ***** (%)	*****	*****	*****	*****	*****	*****
Volatile Matter (%)	*****	*****	*****	*****	*****	*****
Bulk Density (lb/ft ³)	*****	*****	*****	*****	*****	*****

* coal blend related

The quality requirements may be revised so long as the requirements remain within the capability of the Coke Plant and are mutually agreed upon by Seller and Purchaser. The size specifications indicated above (*****) are Purchaser's current specifications for its No. 7 Blast Furnace. It is the intent of the Parties to adjust these size specifications prior to the beginning of the Initial Term based on the capability of the Coke Plant and Purchaser's requirements reflected above. Until those adjustments are made (but no later than the beginning of the Initial Term), no size premiums or penalties will be accrued.

**Schedule 4.4(c) to the Coke Purchase Agreement
Monthly Coke Quality Report Format**

[TO BE PROVIDED]

SCHEDULE 4.4(c)
PAGE 1

Schedule 4.4(d) to the Coke Purchase Agreement
Off-Spec Coke Quality Report Format

[TO BE PROVIDED]

SCHEDULE 4.4(d)
PAGE 1

**Schedule 4.4(e) to the Coke Purchase Agreement
Coke Quality SPP Report Format**

[TO BE PROVIDED]

SCHEDULE 4.4(e)
PAGE 1

Schedule 4.7 to the Coke Purchase Agreement
Coke Quality Price Adjustments

PARAMETER	PRICE INCREASE FACTOR	PRICE DECREASE FACTOR
CSR	Not Applicable	If CSR less than ***** Price *****) Ex: *****\$*****)
MOISTURE	If Moisture under *****% Price *****%*****%)*****Ex: *****% *****%*****\$*****%*****%)*****\$*****	If Moisture over *****% Price *****%*****%)***** Ex: *****%*****%*****\$*****%*****%) *****\$*****
SULFUR	If Sulfur under *****% Price *****%*****%)*****Ex: *****% *****%*****\$*****%*****%)*****\$*****	*****%*****Price *****%*****%)*****Ex: *****%*****%*****\$*****%*****%) *****\$*****
ASH	If Ash *****% Price *****%*****%)***** Ex: *****%*****%*****\$*****%*****%) *****\$*****	If Ash over *****% Price *****%*****%)***** Ex: *****%*****%*****\$*****%*****%) *****\$*****
STABILITY	If Stability over ***** Price *****) Ex: *****\$*****) *****\$*****	If Stability under ***** Price *****) Ex: *****\$*****) *****\$*****
PHOSPHORUS	If Phosphorus under *****% Price *****%*****%)***** Ex: Phosphorus = *****%*****\$*****% *****%)*****\$*****	If Phosphorus over *****% Price *****%*****%)***** Ex: *****%*****%*****\$*****%*****%) *****\$*****
MEAN SIZE	If Mean Size over ***** Price *****) Ex: *****\$***** (*****)* *****\$*****	If Mean Size under *****Price *****) *****Ex: *****\$*****)* *****\$*****
SIZE <*****'	If Size % <*****%*****Price *****%***** (*****%*****))***** Ex: Size % *****%*****\$*****%*****%) *****\$*****	If Size % <*****% Price *****%*****)* EX: *****%*****% \$*****%*****%)*****\$*****

Note: For purposes of the examples in the above Schedule 4.7, NT equals the per Ton coke quality price adjustment for the applicable parameter.

Schedule 5.1(c) to Coke Purchase Agreement

COMPUTER MODEL

**Used to Calculate
Return on Capital Component of Contract Price**

SCHEDULE 5.1(c)

PAGE 1

Without Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun's IRR (Without Credits)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
NPV @16%	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
TOTAL SHARING	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

SCHEDULE 5.1(c)
PAGE 1

ASSUMPTIONS			
Project Cost	*****	Tons Coke Sold/Yr	*****
t	*****	Of Which Excess Pro	*****
Sun Investment	*****	Coke Price/Ton	*****
CEBT	*****	Discount (\$/Ton)	*****
Partners % Return	*****	Coal Cost/Ton of Coke	*****
Flip1 %	*****	Cash Op. Cost/Ton	*****
Flip1 Date	*****	Breeze Credit/Ton	*****
Partner's Funding	*****		*****
Project End Date	*****	JV's Fed/St. Tax	*****
Terminal Value	*****	Sun Fed/St. Amt	*****
Flip2 %	*****	Startup Date	*****
Flip2 Date	*****		*****
NFC: Qualifying Over	*****	Base Case IRR	*****

Exhibit 5.1(c)
Exhibit 5.1(e)

Newcoke JV
Projected Cas Flows
(M/S)

PARTNERSHIP CASE

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Ownership Component:	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Cost of Facility (Coke Batteries)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ventures Pre-Tax Operating Cash Flow	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Discounts (Total \$)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Discount (\$/Ton)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Additional Capital	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
EBIDTA	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
CAPEX	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Pre-Tax Cash Flow	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Depreciable Fixed Assets	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Tax Depreciation for JV (Regular Tax Basis)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Taxable Income	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Taxes at Partner's Nominal Tax Rate of	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Nominal A.T. Cash Flow (Bef. Sect. 29 CR	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Net Income (including NCF Cr. + Taxes @	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Total A.T. Cash Fl. (incl. NCF Cr. + Taxes @	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Tax Depreciation Sun	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Qualified Income Offset (To Sun)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun's Taxable Income base for JV	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

SHARING

Partner													
Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Cash	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Taxes/Tax Benefit	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Dissolution Proceeds	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total Partner Share	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun													
Section 29 Credits													
Cash	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
(Income Taxes)/Tax Benefit	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total Sun Share	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Including Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Without Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun's IRR (Without Credits)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
NPV @16%	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
TOTAL SHARING	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

Without Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun's IRR (Without Credits)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
NPV @16%	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
TOTAL SHARING	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

ASSUMPTIONS	
Project Cost	Tons Coke Sold/Yr
Partner Investment	Of Which Excess Pro
Sun Investment	Coke Price/Ton
CEBT	Discount (\$/Ton)
Partners % Return	Coal Cost/Ton of Coke
Flip1 %	Cash Op. Cost/Ton
Flip1 Date	Breeze Credit/Ton
Partner's Funding	
Project End Date	JV's Fed/St. Tax
Terminal Value	Sun Fed/St. Amt
Flip2 %	Startup Date
Flip2 Date	
NFC: Qualifying Over	Base Case IRR

Exhibit 5.1(c)
Exhibit 5.1(e)

Newcoke JV
Projected Cas Flows
(M/\$)

PARTNERSHIP CASE

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Ownership Component:	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Cost of Facility (Coke Batteries)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ventures Pre-Tax Operating Cash Flow	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Discounts (Total \$)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Discount (\$/Ton)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Additional Capital	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
EBIDTA	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
CAPEX	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Pre-Tax Cash Flow	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Depreciable Fixed Assets	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Tax Depreciation for JV (Regular Tax Basis)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Taxable Income	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Taxes at Partner's Nominal Tax Rate of	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Nominal A.T. Cash Flow (Bef. Sect. 29 CR	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Net Income (including NCF Cr. + Taxes @	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
JV Total A.T. Cash Fl. (incl. NCF Cr. + Taxes @	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Tax Depreciation Sun	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Qualified Income Offset (To Sun)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun's Taxable Income base for JV	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
SHARING													
Partner													
Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Cash	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Taxes/Tax Benefit	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Dissolution Proceeds	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total Partner Share	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun													
Section 29 Credits													
Cash	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
(Income Taxes)/Tax Benefit	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total Sun Share													
Including Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Without Section 29 Credits	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Sun's IRR (Without Credits)	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
NPV @16%	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
TOTAL SHARING	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

Schedule 5.1(e) to Coke Purchase Agreement
Calculation of Section 29 Tax Credit Discount to Contract Price

1. Computer Model: the Credit Discount will equal the lesser of *****Dollars (\$*****)******per Ton, or an amount determined by the Computer Model incorporated herein by this reference. [The Computer Model will be used to calculate a discount amount per Ton (based on a maximum of 1.22 Million Tons of screened Coke plus an additional ***** tons of nut coke and breeze for any twelve (12) month period commencing on or after Initial Full Production) during the Discount Period which will give the Partners an internal rate of return equal to the internal rate of return calculated without the Initial Investment plus *****percent (*****%) of the increase in the internal rate of return calculated with the Initial Investment and no discount.

2. Definitions: The definitions contained in the Coke Purchase Agreement are incorporated in the Computer Model unless the context indicates otherwise. As used in the Computer Model, the following terms shall have the meanings set forth below. In the event of a conflict between a definition in the Coke Purchase Agreement and that in this Schedule, this Schedule will govern for purposes of the Computer Model.

Base Case

“Project Cost” shall mean for purposes of Section 5.1(c) the Total Coke Plant Capital Cost and for purposes of Section 5.1(e) the Total Coke Plant Capital Cost determined without regard to the cap.

“Sun Investment” shall mean the Project Cost.

“Project End Date” shall mean December 31, 2019.

“Terminal Value” shall mean \$*****.

“Sun Fed/St. AMT” shall mean *****percent.

“Debt” shall equal *****.

“Tons Coke Sold/Yr” shall mean 1.22 million tons but in 1998 tons sold shall equal Sun’s good faith projection of 1998 tons sold as projected in the third full month following Initial Full Production.

“SG&A Expense” shall be *****.

“Capex” shall mean the projected future capital expenditures as indicated in the Computer Model on the date of this Agreement.

“Tax Depreciation” shall be the applicable AMT depreciation schedule for the Coke Plant.

“Excess Production (Tons) and Excess Production Discount” shall equal *****.

“Section 29 Credits” shall mean *****.

“Venture’s Pre-Tax Operating Cash Flow” shall mean *****.

“Start Up Date” shall mean the date on which the Coke Plant commences the production of Coke.

Partnership Cases

“Project Cost” shall mean the Total Coke Plant Capital Cost determined without reference to the cap.

“Partner Investment” shall mean the amount of the Initial Investor’s investment in Seller.

“Sun Investment” shall mean the difference between Project Cost and Partner Investment.

“Debt” shall equal *****.

“Partner’s % Return” shall mean the after-tax discount factor used in determining when Investor’s sharing percentage is reduced (“flips”).

“Flip 1 %” shall mean the Investor’s initial share in the proceeds from the production and sale of coke from the Coke Facility and tax credits.

“Flip 1 Date” shall mean the date on which it is projected that the Investor’s after-tax internal rate of return equals the Partner’s % Return. The Flip 1 Date will differ between the zero discount case and the final discount case.

“Partner’s Funding” shall mean the date on which the Investor makes an investment in Seller.

“Project End Date” shall mean December 31, 2019.

“Terminal Value” shall mean \$*****.

“Flip2 %” shall mean the Investor’s percentage share in the proceeds from the production and sale of coke from the Coke Facility in the third sharing phase, that is, after the Flip2 Date.

“Flip2 Date” shall mean the date on which the third sharing phase for the Investor commences.

“NFC: Qualifying Ovens” shall mean the percentage of ovens in the Coke Plant that qualifies under Section 29(g)(1) and (2) of the Code.

“Tons Coke Sold/Yr.” shall mean 1.22 million tons.

“Discount (\$/Ton)” shall mean zero in the zero discount case. In the final discount case the discount shall be the amount determined by this model which will give the Partners an internal rate of return equal to the internal rate of return calculated without the Initial Investment (Base Case) plus *****percent (*****%) of the increase in the internal rate of return calculated with the Initial Investment and no discount, or \$***** if less.

“Ownership Component” shall mean the after-tax cash flow per ton that will provide the Partners with an internal rate of return of 16%.

“JV’s Fed/St. Tax” shall mean the tax rate used in calculating the Investor’s after-tax return.

“Sun Fed/St. AMT” shall mean ***** percent.

“Base Case IRR” shall mean Sun’s IRR determined in the Base Case.

“Capex” shall mean the projected future capital expenditures as indicated in the Computer Model on the date of this Agreement.

“Tax Depreciation (AMT and Reg)” shall be determined by the depreciation schedules applicable to the Coke Plant on the third full month following Initial Full Production.

“Excess Production (Tons) and Excess Production Discount” shall equal *****.

Projected Generation of Section 29 Tax Credits

“Tax Cr. Per BB/OIL” shall mean the tax credit available under Section 29 per barrel-of-oil equivalent based on actual amounts where available and based on an assumed *****% annual GDP Deflator where forecasted amounts are used.

“Equivalent Bbls of Oil/Ton of Coke” shall mean *****.

“Coke Sales” shall mean ***** tons for 1999 and thereafter, but in 1998 tons sold shall equal Sun’s good faith projection of 1998 tons produced by the Coke Plant and sold (including breeze and nut coke) as projected in the third full month following Initial Full Production or the date of Initial Investment if later.

“Qualifying Ovens (%)” shall mean the percentage of ovens of the Coke Plant that are described in section 29(g)(1) and (2) of the Code.

3. The “coal cost/ton of coke”, “coke price/ton”, “cash op. cost/ton”, and “breeze credit/ton” are shown for illustrative purposes only with such amounts being determined pursuant to the terms of Section 5.1 of the Coke Purchase Agreement.

4. Example: Included in this Schedule 5.1(e) is an example of computer runs used to compute the Credit Discount.

EXHIBIT A-1
to
Coke Purchase Agreement

FORM OF INLAND STEEL INDUSTRIES GUARANTY
GUARANTY AGREEMENT

FOR VALUABLE CONSIDERATION, this Guaranty Agreement dated as of _____, 19____, is made and entered into by and between Inland Steel Industries, a _____ corporation (“Guarantor”), and Indiana Harbor Coke Company, L.P., a Delaware limited partnership qualified to do business in Indiana (“Seller”).

WITNESSETH

WHEREAS, Inland Steel Company (“Purchaser”), which is a wholly owned subsidiary of the Guarantor, and Seller have entered into a Coke Purchase Agreement, dated as of _____, 19__ (the “Coke Purchase Agreement”) pursuant to which Purchaser has agreed to purchase and accept from Seller on a take-or-pay basis, and Seller has agreed to sell and deliver, approximately 1.22 Million Tons per year of screened furnace coke, to be produced by a cokemaking facility to be constructed by Seller on a site leased by Seller from Purchaser;

WHEREAS, the purpose of the Coke Purchase Agreement is to provide an assured source of coke to supply the coke requirements of Purchaser’s No. 7 Blast Furnace; and

WHEREAS, the performance of Seller under the Coke Purchase Agreement is conditioned upon, among other things, the execution and delivery by the Guarantor of this Guaranty.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meaning provided for in the Coke Purchase Agreement, and the relevant exhibits and schedules attached thereto.
2. Guarantee. Subject to the terms of this Guaranty, the Guarantor hereby unconditionally and irrevocably guarantees to Seller the specific performance by, and obligations of:
 - (a) The Purchaser, under each of:
 - (i) Section 5.1(e) of the Coke Purchase Agreement;
 - (ii) and the Environmental Indemnity Agreement.
3. Maximum Liability of Guarantor. The maximum liability of the Guarantor under this Guaranty shall be unlimited in Dollar amount. Any payments that shall become due from

Guarantor shall be made in any coin or money that is legal tender in the U.S. at the time of payment.

4. Payment of Claims. Guarantor shall be given a copy of each written notice including, without limitation, any demand for payment or performance, to be sent by Seller to Purchaser, with regard to the respective obligations of Purchaser under Section 5.1(e) of the Coke Purchase Agreement and the Environmental Indemnity Agreement. The Guarantor's obligations under this Guaranty shall become due, payable and performable on the tenth (10th) business day following the receipt of such notice by the Guarantor, if Purchaser or any affiliate of Purchaser has not paid or performed its obligations under the pertinent agreement or agreements by such date; *provided, however*, that if, prior to receipt of such notice, either Seller or Purchaser have commenced dispute resolution under Article XII ("Arbitration") of the Coke Purchase Agreement, Guarantor's obligations hereunder shall be deferred until final resolution of the dispute. Following such final resolution, Guarantor shall be obligated to perform under this Guaranty to the extent that Purchaser is determined to be obligated to perform under the Coke Purchase Agreement and to the extent Purchaser has not performed within ten (10) days of such resolution.

5. Representations and Warranties. The Guarantor hereby represents and warrants that

(a) it is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and has the corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged;

(b) it has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guaranty;

(c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity or by an implied covenant of good faith and fair dealing (whether enforced at law or in equity);

(d) the execution, delivery and performance of this Guaranty will not violate any provision of any applicable law or any contractual obligation of the Guarantor and will not result in or require the creation or imposition of any lien on any of the properties or revenues of the Guarantor; and

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty other than those that have been received or are in full force and effect.

6. Severability. Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7. Paragraph Headings. The paragraph headings used in this Guaranty are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8. Waiver and Amendment. None of the terms or provisions of this Guaranty may be waived, amended, supplemented or otherwise modified except by a written instrument executed by both the Guarantor and Seller. No failure to exercise, nor any delay in exercising, on the part of either Seller or the Guarantor, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise by either party of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by either party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such party would otherwise have on any future occasion.

9. Integration. This Guaranty represents the agreement of the Guarantor and Seller with respect to the subject matter hereof and there are no promises or representations by the parties relative to the subject matter hereof that are not reflected herein.

10. Successors and Assigns. This Guaranty shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of Seller, its successors and permitted assigns.

11. Governing Law. THIS GUARANTY SHALL BE GOVERNED BY AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF INDIANA.

12. Notices. All notices, requests and demands to or upon the Guarantor or (Seller or Purchaser) to be effective shall be in writing, by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been duly given or made upon: (a) delivery by hand, (b) one business day after being sent by overnight courier, (c) four business days after being deposited in the mail, postage prepaid; or (d) in the case of transmission by facsimile, when confirmation of receipt is obtained. Such communications shall be addressed and directed to the parties listed below, or to such other address or recipient for a party as may be hereafter notified by such party hereunder:

if to Guarantor:

If to Seller

FAX:

FAX:

Confirm:

Confirm:

13. No Limitations; Termination. It is specifically understood that this Guaranty Agreement imposes no financial restrictions, limitations on the right of the Guarantor to reorganize, add to or dispose of its properties, rights and interests, and to otherwise conduct its affairs (including the incurrence of liabilities) in any manner it sees fit (whether in the ordinary course of business or otherwise). This Guaranty Agreement shall terminate upon any disposition (by sale, merger or otherwise) by Guarantor (or any successor of Guarantor) of Purchaser, any disposition (by sale, merger or otherwise) by Guarantor (or any successor of Guarantor) of all or substantially all of the assets of Purchaser, or any disposition (by sale, exchange, merger or otherwise) by Guarantor (or any successor of Guarantor) of control of Purchaser or substantially all of the assets of Purchaser; provided, however that any such termination shall not be effective until Seller shall have received thirty days' prior written notice thereof from the Guarantor; provided, further that any such termination shall not affect the liability of the Guarantor hereunder incurred by Guarantor (and as to such Seller shall have notified Guarantor in writing) prior to such termination.

IN WITNESS WHEREOF, the parties hereto have executed this Guaranty Agreement the day and year first above written for the purposes contained herein.

INDIANA HARBOR COKE COMPANY, L.P.

By: Indiana Harbor Coke Company,(General Partner)

By:

Title:

INLAND STEEL INDUSTRIES

By:

Title:

EXHIBIT A-1

PAGE 5

EXHIBIT A-2

to

Coke Purchase Agreement

FORM OF SUN COMPANY, INC. GUARANTY

GUARANTY AGREEMENT

FOR VALUABLE CONSIDERATION, this Guaranty Agreement dated as of , 19 , is made and entered into by and between Sun Company, Inc., a Pennsylvania corporation (“Guarantor”), and Inland Steel Company, an Indiana corporation (“Purchaser”).

WITNESSETH

WHEREAS, Indiana Harbor Coke Company, L.P. (“Seller”), which is an affiliate of the Guarantor and Purchaser have entered into a Coke Purchase Agreement, dated as of____, 19__ (the “Coke Purchase Agreement”) pursuant to which Purchaser has agreed to purchase and accept from Seller on a take-or-pay basis, and Seller has agreed to sell and deliver, approximately 1.22 Million Tons per year of screened furnace coke, to be produced by a cokemaking facility to be constructed by Seller on a site leased by Seller from Purchaser;

WHEREAS, the purpose of the Coke Purchase Agreement is to provide an assured source of coke to supply the coke requirements of Purchaser’s No. 7 Blast Furnace; and

WHEREAS, the performance of Purchaser under the Coke Purchase Agreement is conditioned upon, among other things, the execution and delivery by the Guarantor of this Guaranty.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meaning provided for in the Coke Purchase Agreement, and the relevant exhibits and schedules attached thereto.
2. Guarantee. Subject to the terms of this Guaranty, the Guarantor hereby unconditionally and irrevocably guarantees to Purchaser the specific performance by, and obligations of:
 - (a) The Seller, under each of:
 - (i) Section 5.1(e) of the Coke Purchase Agreement; and
 - (ii) the Environmental Indemnity Agreement.
3. Maximum Liability of Guarantor. The maximum liability of the Guarantor under this Guaranty shall be unlimited in Dollar amount. Any payments that shall become due from

Guarantor shall be made in any coin or money that is legal tender in the U.S. at the time of payment.

4. Payment of Claims. Guarantor shall be given a copy of each written notice including, without limitation, any demand for payment or performance, to be sent by Purchaser to Seller, with regard to the respective obligations of Seller Section 5.1(e) of the Coke Purchase Agreement and the Environmental Indemnity Agreement. The Guarantor's obligations under this Guaranty shall become due, payable and performable on the tenth (10th) business day following the receipt of such notice by the Guarantor, if Seller or any affiliate of Seller has not paid or performed its obligations under the pertinent agreement or agreements by such *date*; *provided, however*, that if, prior to receipt of such notice, either Purchaser or Purchaser have commenced dispute resolution under Article XII ("Arbitration") of the Coke Purchase Agreement, Guarantor's obligations hereunder shall be deferred until final resolution of the dispute. Following such final resolution, Guarantor shall be obligated to perform under this Guaranty to the extent that Seller is determined to be obligated to perform under the Coke Purchase Agreement and to the extent Seller has not performed within ten (10) days of such resolution.

5. Representations and Warranties. The Guarantor hereby represents and warrants that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of Pennsylvania, and has the corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged;

(b) it has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guaranty;

(c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity or by an implied covenant of good faith and fair dealing (whether enforced at law or in equity);

(d) the execution, delivery and performance of this Guaranty will not violate any provision of any applicable law or any contractual obligation of the Guarantor and will not result in or require the creation or imposition of any lien on any of the properties or revenues of the Guarantor; and

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty other than those that have been received or are in full force and effect.

6. Severability. Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7. Paragraph Headings. The paragraph headings used in this Guaranty are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8. Waiver and Amendment. None of the terms or provisions of this Guaranty may be waived, amended, supplemented or otherwise modified except by a written instrument executed by both the Guarantor and Purchaser. No failure to exercise, nor any delay in exercising, on the part of either Purchaser or the Guarantor, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise by either party of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by either party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such party would otherwise have on any future occasion.

9. Integration. This Guaranty represents the agreement of the Guarantor and Purchaser with respect to the subject matter hereof and there are no promises or representations by the parties relative to the subject matter hereof that are not reflected herein.

10. Successors and Assigns. This Guaranty shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of Purchaser, its successors and permitted assigns.

11. Governing Law. THIS GUARANTY SHALL BE GOVERNED BY AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE INDIANA.

12. Notices. All notices, requests and demands to or upon the Guarantor or Seller to be effective shall be in writing, by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been duly given or made upon: (a) delivery by hand, (b) one business day after being sent by overnight courier, (c) four business days after being deposited in the mail, postage prepaid; or (d) in the case of transmission by facsimile, when confirmation of receipt is obtained. Such communications shall be addressed and directed to the parties listed below, or to such other address or recipient for a party as may be hereafter notified by such party hereunder:

if to Guarantor:

If to Seller

FAX:

FAX:

Confirm:

Confirm:

EXHIBIT A-2

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13. No Limitations; Termination. It is specifically understood that this Guaranty Agreement imposes no financial restrictions, limitations on the right of the Guarantor to reorganize, add to or dispose of its properties, rights and interests, and to otherwise conduct its affairs (including the incurrence of liabilities) in any manner it *sees* fit (whether in the ordinary course of business or otherwise). This Guaranty Agreement shall terminate upon any disposition (by sale, merger or otherwise) by Guarantor (or any successor of Guarantor) of Seller, any disposition (by sale, merger or otherwise) by Guarantor (or any successor of Guarantor) of all or substantially all of the assets of Seller, or any disposition (by sale, exchange, merger or otherwise) by Guarantor (or any successor of Guarantor) of control of Seller or substantially all of the assets of Seller; provided, however that any such termination shall not be effective until Purchaser shall have received thirty days' prior written notice thereof from the Guarantor; provided, further that any such termination shall not affect the liability of the Guarantor hereunder incurred by Guarantor (and as to such Purchaser shall have notified Guarantor in writing) prior to such termination.

EXHIBIT A-2

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IN WITNESS WHEREOF, the parties hereto have executed this Guaranty Agreement the day and year first above written for the purposes contained herein.

INDIANA HARBOR COKE COMPANY, L.P.
By: Indiana Harbor Coke Company,(General Partner)

INLAND STEEL INDUSTRIES

By:
Title:

By:
Title:

EXHIBIT A-2
PAGE 5

EXHIBIT B

to

Coke Purchase Agreement

FORM OF ELK RIVER RESOURCES, INC. GUARANTY

GUARANTY AGREEMENT

FOR VALUABLE CONSIDERATION, this Guaranty Agreement dated as of _____, 19 __, is made and entered into by and between Elk River Resources, Inc. (“Guarantor”), and Inland Steel Company, an Indiana corporation (“Purchaser”).

WITNESSETH

WHEREAS, Purchaser and Indiana Harbor Coke Company, L.P. (“Purchaser”), which is an affiliate of the Guarantor, have entered into a Coke Purchase Agreement, dated as of _____, 19__ (the “Coke Purchase Agreement”) pursuant to which Purchaser has agreed to purchase and accept from Purchaser on a take-or-pay basis, and Purchaser has agreed to sell and deliver, approximately 1.22 Million Tons per year of screened furnace coke, to be produced by a cokemaking facility to be constructed by Purchaser on a site leased by Purchaser from Purchaser;

WHEREAS, the purpose of the Coke Purchase Agreement is to provide an assured source of coke to supply the coke requirements of Purchaser’s No. 7 Blast Furnace; and

WHEREAS, the performance of Purchaser under the Coke Purchase Agreement is conditioned upon, among other things, the execution and delivery by the Guarantor of this Guaranty.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meaning provided for in the Coke Purchase Agreement, and the relevant exhibits and schedules attached thereto.
2. Guaranty. Subject to the terms of this Guaranty, the Guarantor hereby unconditionally and irrevocably guarantees to Purchaser the specific performance by, and obligations of the Seller the Coke Purchase Agreement.
3. Maximum Liability of Guarantor. The maximum liability of the Guarantor under this Guaranty shall be unlimited in Dollar amount. Any payments that shall become due from Guarantor shall be made in any coin or money that is legal tender in the U.S. at the time of payment.

EXHIBIT B

PAGE 1

4. Payment of Claims. Guarantor shall be given a copy of each written notice including, without limitation, any demand for payment or performance, to be sent by Purchaser to Seller, with regard to the respective obligations of Seller under the Coke Purchase Agreement. The Guarantor's obligations under this Guaranty shall become due, payable and performable on the tenth (10th) business day following the receipt of such notice by the Guarantor, if Seller or any affiliate of Seller has not paid or performed its obligations under the pertinent agreement or agreements by such *date*; *provided, however*, that if, prior to receipt of such notice, either Purchaser or Seller have commenced dispute resolution under Article XII ("Arbitration") of the Coke Purchase Agreement, Guarantor's obligations hereunder shall be deferred until final resolution of the dispute. Following such final resolution, Guarantor shall be obligated to perform under this Guaranty to the extent that Purchaser is determined to be obligated to perform under the Coke Purchase Agreement and to the extent seller has not performed within ten (10) days of such resolution.

5. Representations and Warranties. The Guarantor hereby represents and warrants that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and has the corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged;

(b) it has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guaranty;

(c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity or by an implied covenant of good faith and fair dealing (whether enforced at law or in equity);

(d) the execution, delivery and performance of this Guaranty will not violate any provision of any applicable law or any contractual obligation of the Guarantor and will not result in or require the creation or imposition of any lien on any of the properties or revenues of the Guarantor; and

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty other than those that have been received or are in full force and effect.

6. Severability. Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition

or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7. Paragraph Headings. The paragraph headings used in this Guaranty are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8. Waiver and Amendment. None of the terms or provisions of this Guaranty may be waived, amended, supplemented or otherwise modified except by a written instrument executed by both the Guarantor and Purchaser. No failure to exercise, nor any delay in exercising, on the part of either Purchaser or the Guarantor, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise by either party of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by either party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such party would otherwise have on any future occasion.

9. Integration. This Guaranty represents the agreement of the Guarantor and Purchaser with respect to the subject matter hereof and there are no promises or representations by the parties relative to the subject matter hereof that are not reflected herein.

10. Successors and Assigns. This Guaranty shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of Purchaser, its successors and permitted assigns.

11. Governing' Law. THIS GUARANTY SHALL BE GOVERNED BY AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE INDIANA.

12. Notices. All notices, requests and demands to or upon the Guarantor or Purchaser to be effective shall be in writing, by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been duly given or made upon: (a) delivery by hand, (b) one business day after being sent by overnight courier, (c) four business days after being deposited in the mail, postage prepaid; or (d) in the case of transmission by facsimile, when confirmation of receipt is obtained. Such communications shall be addressed and directed to the parties listed below, or to such other address or recipient for a party as may be hereafter notified by such party hereunder:

if to Guarantor:

If to Seller

FAX:

FAX:

Confirm:

Confirm:

13. No Limitations; Termination. It is specifically understood that this Guaranty Agreement imposes no financial restrictions, limitations on the right of the Guarantor to

reorganize, add to or dispose of its properties, rights and interests, and to otherwise conduct its affairs (including the incurrence of liabilities) in any manner it sees fit (whether in the ordinary course of business or otherwise).

IN WITNESS WHEREOF, the parties hereto have executed this Guaranty Agreement the day and year first above written for the purposes contained herein.

INLAND STEEL INDUSTRIES

ELK RIVER RESOURCES, INC.

By:
Title:

By:
Title:

EXHIBIT B
PAGE 4

EXHIBIT C
to
Coke Purchase Agreement
FORM OF ESCROW AGREEMENT

EXHIBIT C
PAGE 1

ESCROW AGREEMENT

This Escrow Agreement (this "Agreement") is dated as of _____, 19__ among [Purchaser], [Seller], and _____, as escrow agent ("Escrow Agent").

[PREAMBLE]

1. Appointment of Escrow Agent. [Purchaser and Seller] hereby appoint _____ as the Escrow Agent hereunder, and _____ hereby accepts such appointment.
2. Creation of Escrow Fund; Escrow Deposit. The Escrow Agent hereby agrees to hold in a separate account or fund which shall be designated the "Escrow Fund" (the "Escrow Fund") the amounts hereinafter described. The Escrow Fund shall be held or disbursed by the Escrow Agent under and subject to the provisions of this Agreement. The Escrow Agent hereby acknowledges its receipt of _____ Dollars (\$_____), which amount shall be deposited into the Escrow Fund.
3. Investment of Escrow Fund. The Escrow Agent shall invest and reinvest the amounts on deposit in the Escrow Fund as Purchaser may direct by written notice to the Escrow Agent. The Escrow Fund may be invested in (a) securities issued or fully guaranteed or insured by the United States government or any agency thereof; (b) certificates of deposit, eurocurrency and eurodollar time deposits, and overnight bank deposits of, and securities guaranteed (by letter of credit or otherwise) by, or money market accounts offered by, any commercial bank or trust company which is organized under the laws of the United States or any state thereof having capital and surplus in excess of \$200,000,000 and whose short-term senior unsecured indebtedness is rated A-1 or P-1 by Standard & Poor's Corporation or Moody's Investors Service, respectively or an equivalent rating; (c) commercial paper rated A-1 or P-1 by Standard & Poor's Corporation or Moody's Investor Service, Inc., respectively, maturing not more than 360 days from the date of acquisition thereof by such person; (d) repurchase agreements with institutions whose long-term senior unsecured indebtedness is rated A or better by Standard & Poor's Corporation or A or better by Moody's Investor's Service, Inc.; (e) securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated A or better by Standard & Poor's Corporation or A or better by Moody's Investors Service, Inc.; and (f) shares of mutual funds that invest primarily in any or all of the investments referred to in clauses (a) through (e). The Escrow Agent reserves the right to request specific instructions in writing from Purchaser as to the investment of the Escrowed Funds and shall not be responsible for gains or losses in the market value of or the rate of interest earned on investments made in accordance with the provision hereof. All earnings or other income received from such investment and reinvestment, less Escrow Taxes and losses, if any incurred on such investment and reinvestment (such net amount being herein referred to as "Net Earnings").
4. Disbursement of Escrow Fund. The Escrow Fund shall be held by the Escrow Agent and not disbursed until one of the following events has occurred, in which event the

EXHIBIT C

PAGE 2

Escrow Agent is authorized and directed to disburse the Escrow Fund, or a portion thereof, in the manner indicated:

[ESCROW CONDITIONS FROM ARTICLE IX OF COKE PURCHASE AGREEMENT TO BE INSERTED HERE]

(1) Upon receipt of a written direction signed by [Purchaser and Seller], the Escrow Agent is authorized and directed to disburse the Escrow Fund as directed in such direction.

The Parties hereto agree that all taxable income attributable to the Net Earnings shall be treated as income of Purchaser for all income and franchise tax purposes and Purchaser shall report such income on its income and franchise tax returns. During the fifth month of each calendar year Purchaser shall submit a statement to the Escrow Agent with a copy to Seller setting forth taxes Purchaser is required to pay in respect of Net Earnings for the prior calendar year (such amount being calculated based on assumed Purchaser tax rate of 26 percent ("Escrow Taxes"). Within 10 days of receipt of such statement and upon the receipt of a written direction signed by Seller and Purchaser, the Escrow Agent shall deliver by wire transfer of immediately available funds to the account specified by Purchaser an amount equal to the Escrow Taxes. The Parties further agree that they will report for all income and franchise tax purposes that the price paid for Coke hereunder will exclude amounts deposited by Purchaser in the Escrow Fund.

5. Termination. This Agreement shall terminate and be of no further force and effect on the date when all monies comprising the Escrow Fund have been disbursed in accordance with the terms hereof.. If this Agreement is still in effect on the date which is _____ years after the date hereof, and the Escrow Agent has not received any instructions pursuant to Section 4 hereof, the Escrow Agent shall promptly disburse the Escrow Fund plus all Net Earnings earned thereon to _____.

6. Escrow Agent's Duties and Fees.

(a) Duties Limited. The Escrow Agent undertakes to perform only such duties as are expressly set forth herein and shall not be subject to, nor have any liability or responsibility under, nor to be obligated to recognize, the _____ Agreement or any other agreement between, or directions or instructions of, any of the parties hereto or any other person in carrying out its duties hereunder, except for written directions or notices delivered to the Escrow Agent in accordance with Section 4 of this Agreement.

(b) Reliance. The Escrow Agent may rely upon, and shall be protected in acting or refraining from acting upon, any written notice, instruction or request furnished to it hereunder and reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent may act in reliance upon the reasonable advice of counsel satisfactory to it in reference to any matter connected with its obligations hereunder and shall not incur any liability for any action taken in accordance with such advice.

(c) Standard of Care; Indemnification. The Escrow Agent shall not be responsible for any act or failure to act hereunder except in the case of its willful misconduct, gross negligence or bad faith. The parties hereto (other than the Escrow Agent) shall jointly and severally indemnify the Escrow Agent and hold it harmless against any claims, losses, liabilities, judgments, attorneys' fees and other costs or expenses of any kind incurred by the Escrow Agent without willful misconduct, gross negligence or bad faith on its part, arising out of or in connection with its entering into this Agreement and the performance of its duties hereunder, including, without limitation, any litigation arising from this Agreement or involving the subject matter hereof. This Section 6(c) shall survive the termination of this Agreement for any reason.

(d) Disputes. [Arbitration language to be added following Coke Purchase Agreement]

(e) Successor Escrow Agent. The Escrow Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation to _____, specifying the date upon which such resignation shall take effect. _____, together, shall have the right to terminate the appointment of the Escrow Agent hereunder by giving to it notice in writing of such termination, specifying the date upon which such termination shall take effect. Upon any such resignation or termination of the Escrow Agent, _____ shall appoint a successor Escrow Agent who shall have all rights of an Escrow Agent hereunder and be bound by all of the provisions hereof.

(f) Fees and Expenses. The escrow Agent shall receive a fee for its services hereunder as set forth on Schedule 1 hereto, and shall be reimbursed for its reasonable out-of-pocket expenses incurred in performing its duties hereunder. _____ shall pay the Escrow Agent's fees for its services hereunder and any expected costs and expenses (including attorney's fees and expenses) incurred by it hereunder.

(g) Compliance with Court Order. If all or part of the Escrow Fund held by the Escrow Agent hereunder shall be attached, garnished or levied upon under any order of court, or if the delivery thereof shall be stayed or enjoined by any order of court, or if any other order, judgment or decree shall be made or entered by any court affecting the Escrow Fund or any part thereof, the Escrow Agent is expressly authorized in its sole reasonable discretion to obey and comply with all writs, orders, judgments, or decrees so entered or issued, whether with or without jurisdiction, and in case it obeys and complies with any such writ, order, judgment, or decree, it shall not be liable to _____, its successors or assigns, any of its clients or to any other person or entity, by reason of such compliance, notwithstanding that such writ, order, judgment or decree be subsequently reversed, modified, annulled, set aside or vacated.

7. Notices. Unless otherwise specifically provided herein, all notices and other communications required or permitted hereunder:

(a) shall be in writing;

(b) shall be sent by messenger, certified or registered U.S. mail, a reliable express delivery service or telecopier (with a copy sent by one of the foregoing means), charges prepaid as applicable, to the appropriate address(es) or number(s) set forth below; and

(c) shall be deemed to have been given on the date of receipt by the addressee (or, if the date of receipt is not a business day, on the first business day after the date of receipt), as evidenced by (i) a receipt executed by the addressee (or a responsible person in his or her office), the records of the person delivering such communication or a notice to the effect that such addressee refused to claim or accept such communication, if sent by messenger, U.S. mail or express delivery service, or (ii) a receipt generated by the sender's telecopier showing that such communication was sent to the appropriate number on a specified date, if sent by telecopier, provided that hard copy is mailed on the same day.

All such communications shall be sent to the following addresses or numbers, or to such other addresses or numbers as any party may inform the others by giving five (5) days' prior notice:

If to [Seller]:

FAX: ____
Confirm: ____

If to [Purchaser]:

FAX: ____
Confirm: ____

If to Escrow Agent:

FAX: ____
Confirm: ____

8. Miscellaneous.

(a) Benefits of Parties. This Agreement shall inure to the benefit of and be binding upon each of the parties and their respective successors and permitted assigns.

(b) Assignment . Neither this Agreement nor any right, interest or obligation hereunder may be assigned, pledged or otherwise transferred by any party, whether by operation of law or otherwise, without the prior consent of the other parties.

(c) Amendments . This Agreement may be amended, modified or supplemented only by a writing signed by each of the parties, and any such amendment shall be effective only to the extent specifically set forth in such writing.

(d) Counterparts; Telefacsimile Execution . This Agreement may be executed in any number of counterparts, and by each of the parties on separate counterparts, each of which, when so executed, shall be deemed an original, but all of which shall constitute but one and the same instrument. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver a manually executed counterpart of this Agreement, but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

(e) Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the transaction contemplated hereby and supersedes all prior written and oral agreements, and all contemporaneous oral agreements, relating to such transactions.

(f) Governing Law . THIS AGREEMENT SHALL BE A CONTRACT UNDER THE LAWS OF THE STATE OF INDIANA AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF SAID STATE.

(g) Headings . All titles and headings in this Agreement are intended solely for convenience of reference and shall in no way limit or otherwise affect the interpretation of any of the provisions hereof.

IN WITNESS WHEREOF, this Escrow Agreement has been executed by the undersigned as of the date first written above.

[SELLER]

By: ____
Name: ____
Title: ____

[PURCHASER]

By: ____
Name: ____
Title: ____

ESCROW AGENT:

By: ____
Name: ____
Title: ____

EXHIBIT C
PAGE 7

Schedule 1 to the Escrow Agreement Fees

[TO BE PROVIDED]

EXHIBIT C

PAGE 8

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH FIVE ASTERISKS (*****).

Amendment to Coke Purchase Agreement and Letter Agreement, Consent to Permit
Modification, and Mutual Release

This Amendment to Coke Purchase Agreement and Letter Agreement, Consent to Permit Modification, and Mutual Release (“Agreement”) is by and between Ispat Inland Inc., a Delaware corporation (formerly known as Inland Steel Company) (“Ispat Inland”), and Indiana Harbor Coke Company, L.P., a Delaware limited partnership (“IHCC”):

RECITALS

A. Ispat Inland and IHCC are parties to the following agreements:

- (i) The “Amended and Restated Coke Purchase Agreement” dated as of February 19, 1998 (the “Coke Purchase Agreement”);
- (ii) The “Amended and Restated Ground Lease” dated as of November 12, 1996 (the “Lease”);
- (iii) The “Environmental Indemnity Agreement” dated November 12, 1996 (the “Indemnity Agreement”);
- (iv) The “Confidentiality Agreement” dated as of November 12, 1996 (the “Confidentiality Agreement”);
- (v) The “Amended and Restated Services Agreement” dated as of February 19, 1998 (the “Services Agreement”);
- (vi) The “Payroll and Benefits Administration Agreement” dated as of January 1, 1998 (the “Payroll Agreement”);
- (vii) The “Cooperation Agreement” dated November 12, 1996 (the “Cooperation Agreement”); and
- (viii) The letter agreement dated November 22, 2000 (the “Letter Agreement”).

B. IHCC operates a certain heat recovery coke plant located within the premises particularly described in Exhibit “A” to the Lease (the “Coke Plant”), and supplies an assured tonnage of furnace coke to Ispat Inland on a “take or pay” basis pursuant to the foregoing agreements.

C. IHCC and Cokenergy, Inc., an Indiana corporation (“Cokenergy”), are parties to an “Access, Operating and Fuel Supply Agreement” (the “Fuel Supply Agreement”), Ispat Inland contends it is a third party beneficiary of the Fuel Supply Agreement.

D. In connection with an arbitration proceeding between IHCC and Ispat Inland conducted in Chicago, Illinois before Judge Mel R. Jiganti of the Judicial Arbitration and Mediation Service (the “First Arbitration”), (i) IHCC alleged various breaches of the Coke Purchase Agreement and sought certain declaratory relief as set forth in its “Amended And Restated Request For Relief Based On The Evidence Adduced At The Arbitration Hearing Herein” (the “Demand”); and (ii)

Ispat Inland alleged various breaches of the Coke Purchase Agreement and sought certain declaratory relief as set forth in its “Revised Counterdemand of Ispat Inland Inc.” the “Counterdemand”).

E. Following the hearing in the First Arbitration, a “Preliminary Order” dated September 13, 2000 was issued by Judge Jiganti which set forth certain damage awards and declaratory rulings. In connection therewith, and pursuant to the letter agreement between IHCC and Ispat Inland dated November 1, 2000, the damage awards set forth in such Preliminary Order have been paid and satisfied.

F. Ispat Inland otherwise alleges that IHCC has breached the Coke Purchase Agreement, the Lease, the Cooperation Agreement, the Indemnity Agreement and the Fuel Supply Agreement as set forth in its Notice of Intent to Arbitrate, dated March 23, 2000, and its draft arbitration demand, dated December 2000 (such arbitration being the “Second Arbitration”). IHCC denies those allegations.

G. Except as otherwise set forth herein, Ispat Inland and IHCC desire to resolve and fully release and discharge each other from the forgoing disputes and from any and all other disputes arising prior to the Effective Date of this Agreement.

In consideration of the mutual covenants and conditions set forth herein and for other good and valuable consideration, the receipt of which is acknowledged by Ispat Inland and IHCC, Ispat Inland and IHCC agree as follows:

1. Effective Date. The effective date (“Effective Date”) of this Agreement is March 31, 2001.

2. First Arbitration. The findings and declarations set forth in the “Preliminary Order” issued in connection with the First Arbitration shall be considered as final and binding upon MCC and Ispat Inland, and the parties agree and acknowledge that all payments required under said Preliminary Order have been paid and satisfied. In addition, IHCC and Ispat Inland acknowledge that, as of the Effective Date, they have agreed upon a protocol for the certification of the “Ramsey C8 Belt Scale”, a copy of which is attached hereto as Exhibit “A”, and that they will investigate and consider in good faith further revisions to such protocol relating to the installation and use of a test chain. Subject to the foregoing, the parties agree to take such action as is necessary to have any remaining aspects of the First Arbitration terminated and dismissed.

3. Second Arbitration. The parties agree to take such action as is necessary to have all aspects of the Second Arbitration terminated and dismissed.

4. Permit Modification. As soon as reasonably practicable, but in no event later than March 31, 2001, Ispat Inland and IHCC shall submit, in conjunction with Cokenergy, an application to the Indiana Department of Environmental Management (the “Application”) to modify each company’s individual air permit (collectively the “Air Permit”). Such Application shall include requests to (i) allow venting of flue gas through vent stacks located within the Coke Plant up to ***** on a twenty four hour basis and ***** on an annual basis; (ii) reallocate particulate matter, including TSP/PM/PMN (collectively, “PM”), SO₂, NON, VOC, and lead emissions from both the

vent stacks and the main stack located within the Coke Plant; (iii) revise PM emission limits to include the condensible portion of those emissions; and (iv) revise the PM netting analysis so that ***** tons per year of condensible PM credits are made available for Coke Plant operations from Ispat Inland's contemporaneous decrease ledger. Ispat Inland and MCC shall exercise their best efforts to obtain the modifications to the Air Permit, and to prepare and submit any other related filings and/or applications reasonably necessary thereto. Such efforts shall include, but shall not be limited to, providing (as applicable) Ispat Inland and IHCC with all information and certifications reasonably required to be provided by either of them in connection therewith.

5. Further Escrow Deposits. As of the Effective Date, Ispat Inland is relieved from its obligation under the Coke Purchase Agreement to deposit fifty percent (50%) of the Credit Discount into the escrow account described in Section 9.1 of the Coke Purchase Agreement.

6. Release of Existing Escrow Funds. Contemporaneous with the submission to IDEM of the Application, Ispat Inland and IHCC shall deliver a certificate to the Escrow Agent, substantially in the form attached hereto as Exhibit "B", as well as an appropriate incumbency certificate from each party, to instruct the Escrow Agent to release to Ispat Inland all escrow funds held by the Escrow Agent, pursuant to that certain Escrow Agreement among IHCC, Ispat Inland and The Bank of New York, as Escrow Agent, dated as of February 19, 1998.

7. Billing and Payment. Following the release of such escrow funds, the payment terms and invoicing procedures set forth in Section 7.1(b) of the Coke Purchase Agreement shall be implemented by Ispat Inland and IHCC with respect to the Coke Purchase Agreement and the Letter Agreement, and the payment terms and invoicing procedures set forth in Section 7.1(a) of the Coke Purchase Agreement thereafter shall have no further force or effect with respect to coke sales not previously invoiced pursuant to the Coke Purchase Agreement and the Letter Agreement. In order to implement such payment terms and invoicing procedures, outstanding invoices for coke sales made pursuant to the Coke Purchase Agreement and the Letter Agreement as of the date such escrow funds are released shall be paid by Ispat Inland within three (3) business days thereafter. Moreover, if such escrow funds are released after the fifteenth day of the applicable month, then (for that month only) on the date of such release IHCC shall transmit to Ispat Inland a provisional invoice for the amount of coke purchased by Ispat Inland during such month, and such amount shall be due and payable in immediately available funds on the last business day of the month during which such provisional invoice is transmitted to Ispat Inland, or three (3) business days after receipt of such provisional invoice, whichever is later. Final adjustments to such provisional invoice shall be made in accordance with Section 7.1(b) of the Coke Purchase Agreement.

In addition, the procedures by which Ispat Inland is paid for the Inland Services it provides under the Services Agreement shall be modified so that the payment for Inland Services provided by Ispat Inland in any month continues to be offset against the cost of the Coke purchased by Ispat Inland in such month. A provisional charge for such services, which shall be based upon Ispat Inland's good faith estimate of the payment due by IHCC to Ispat Inland under the Services Agreement, shall be made in connection with the provisional invoice submitted by IHCC to Ispat Inland for the applicable month in accordance with Section 7.1(b) of the Coke Purchase Agreement. Final adjustments to such provisional charge, which shall be based upon actual charges for such

services payable by IHCC to Ispat Inland in accordance with the Services Agreement less the estimated charges set forth in the applicable provisional invoice, shall be made contemporaneously with Inland's submission to IHCC of the provisional charge for the following month.

8. Current Coke Quality Specifications. As of the Effective Date, the Coke Quality Specifications for the coal blend utilized at the Coke Plant are set forth in attached Exhibit "C".

9. Adjustment to Coke Quality Specifications. When the blend of coals to be utilized at the Coke Plant is changed in accordance with Section 4.2 of the Coke Purchase Agreement, IHCC and Ispat Inland shall promptly submit to each other, in writing, proposed revisions to the Coke Quality Specifications for Ash, Stability, Alkalies, Phosphorus, Sulfur, and CSR (the "Coal Blend Related Specifications"). If IHCC and Ispat Inland cannot agree upon the Coal Blend Related Specifications within sixty (60) days following the date the selected coal blend is initially utilized at the Coke Plant, then the (i) "average" specification for the Coal Blend Related Specifications shall be automatically revised based upon the average values of Ash, Stability, Alkalies, Phosphorus, Sulfur, and CSR of the coke produced from the selected coal blend during such sixty (60) day period the "Revised Average"); and (ii) "price increase range", "minimum value", "maximum value", "price decrease range" and "reject value" specifications for the Coal Blend Related Specifications shall be revised upwards or downwards in accordance with the actual increase or decrease in the Revised Average. Such revisions (whether agreed upon by the parties or imposed automatically) shall be retroactive to the date the selected coal blend is initially utilized at the Coke Plant, but shall be first incorporated into the monthly quality summary for the month in which such revisions become effective. Price adjustments made pursuant to Section 4.7 of the Coke Purchase Agreement for Ash, Stability, Sulfur, and CSR shall be based upon the Coal Blend Related Specifications, and such price adjustments shall be debited or credited in accordance with Section 4.8(a) of the Coke Purchase Agreement. Any Price adjustment made pursuant to Section 4.7 of the Coke Purchase Agreement for Phosphorus also shall be based upon the Coal Blend Related Specifications, and such price adjustment shall be debited or credited in accordance with Section 4.8(b) of the Coke Purchase Agreement. Provided, (i) IHCC shall refund to Ispat Inland, in the form of a credit to be invoiced during April 2001, the sum of \$***** as full satisfaction of credits claimed by Ispat Inland related to the ash and sulfur content of Coke sold pursuant to the Coke Purchase Agreement from November 27, 1998 through December 31, 2000; (ii) any price adjustment for the coal blend utilized at the Coke Plant as of the Effective Date shall be retroactive only to January 1, 2001, and shall be invoiced (debit or credit) during April 2001; and (iii) when the parties agree to accept coal in the coal specification rejection range, penalties attributable to the use of that coal shall offset any price decrease provided for in the Coal Blend Related Standards where such coal is utilized in the selected coal blend.

10. Release by IHCC. Subject to Sections 2 and 11 herein, IHCC releases and forever discharges Ispat Inland, Ispat International N.V., their subsidiaries, affiliates and partners, and their present and past officers, directors, employees and agents from any and all manner of claims, liabilities, demands, damages (including interest), actions, causes of action, both known and unknown, fixed or contingent (collectively, "Claims"), that IHCC may now have, or that may subsequently accrue to IHCC by reason of any action, inaction, circumstance or matter that occurred or initially arose prior to the Effective Date; provided, however, that the release of any such Claim

shall not be construed as a waiver or relinquishment of any Claim arising in the future, but the same shall continue and remain in full force and effect. In addition, the release of any such Claim shall not be considered a precedent applicable to the interpretation of any of the Applicable Agreements, as hereinafter defined. Provided, the term "Claims" does not include (i) costs or credits incurred prior to the Effective Date and properly payable by or to Ispat Inland in accordance with Section 5.1(a) of the Coke Purchase Agreement; and (ii) credits or charges for actual operating expenses compared to the Annual Budget (as described in Section 5.1(b)(1) of the Coke Purchase Agreement) for the first quarter of the 2001 fiscal year as determined in accordance with Section 5.1(6)(1) of the Coke Purchase Agreement.

11. Claims not Released by IHCC. The following Claims are *not* released or discharged by IHCC:

- (i) Claims for indemnity by IHCC against Ispat Inland arising out of the Environmental Indemnity Agreement;
- (ii) Accounts receivable by IHCC for coke produced in February and March of 2001 pursuant to the Coke Purchase Agreement, the Letter Agreement;
- (iii) Real estate, personal property, and inventory taxes payable by IHCC associated with the Coke Plant and related coke and coal inventories that are subject to reimbursement by Ispat Inland;
- (iv) Claims of IHCC arising out of any breach by Ispat Inland of the Confidentiality Agreement or Section 15.11 of the Coke Purchase Agreement; and
- (v) Claims by IHCC against Ispat Inland arising under the Coke Purchase Agreement related to any actual or proposed loss, disallowance, or reduction by the Internal Revenue Service of all or a portion of federal income tax credits provided for in Section 29 of the Internal Revenue Code of 1986, as amended.

12. Release by Ispat Inland. Subject to Sections 2 and 13 herein, Ispat Inland releases and forever discharges IHCC, Indiana Harbor Coke Company, Sun Coke Company, Sunoco, Inc., their subsidiaries, affiliates and partners, and their present and past officers, directors, employees and agents from and against any and all manner of Claims that Ispat Inland may now have, or that may subsequently accrue to Ispat Inland by reason of any action, inaction, circumstance or matter that occurred or initially arose prior to the Effective Date; provided, however, that the release of any such Claim shall not be construed as a waiver or relinquishment of any Claim arising in the future, but the same shall continue and remain in full force and effect. In addition, the release of any such Claim shall not be considered a precedent applicable to the interpretation of any of the Applicable Agreements, as hereinafter defined.

13. Claims not Released by Ispat Inland. The following Claims are not released or discharged by Ispat

- (i) Claims for indemnity by Ispat Inland against IHCC arising out of the Environmental Indemnity Agreement;
 - (ii) Accounts receivable by Ispat Inland for services rendered in February and March of 2001 pursuant to the Services Agreement;
-

- (iii) Wage, benefit, and other costs payable by IHCC to Ispat Inland pursuant to the Payroll Agreement;
- (iv) Claims of Ispat Inland by reason of any breach by TFICC of the Confidentiality Agreement or Section 15.11 of the Coke Purchase Agreement;
- (v) Claims of Ispat Inland by reason of the Annual Budget (as described in Section 5.1(b)(1) of the Coke Purchase Agreement) for the 2001 fiscal year;
- (vi) Claims resulting from arithmetical errors or items not supported by invoices; and
- (vii) Claims arising out of the Discount for Section 29 Tax Credits of the Contract Price Formula, as described in Section 5.1(e) of the Coke Purchase Agreement.

14. Affirmation of Agreements; Non-Waiver . Ispat Inland and II-ICC affirm that all terms, conditions and requirements of agreements set forth in Recital A of this Agreement (the “Applicable Agreements”) remain in full force and effect, except as expressly amended hereby. Without limiting the foregoing, this Agreement shall not be construed as amending or otherwise modifying Section 5.1(e) of the Coke Purchase Agreement. Furthermore, except for Claims released and discharged hereby, Ispat Inland and IHCC shall be entitled to exercise and enforce all legal and/or equitable remedies that are available to either of them by reason of any breach of, or any default under, any of the Applicable Agreements.

15. Attorneys’ Fees . In the event any action or proceeding is brought in connection with this Agreement or its enforcement, the prevailing party shall be entitled to recover its reasonable attorneys’ fees from the other party.

16. Construction of Agreement . This Agreement shall not be construed as an admission by either party to this Agreement of any liability to the other party or to any third party. In addition, no provision of this Agreement shall be interpreted for or against any party on the basis that such party drafted such provision.

17. Applicable Law . This Agreement shall be construed and enforced in accordance with the state of Indiana.

18. Successors and Assigns . This Agreement shall be binding upon, and shall inure to the benefit of, Ispat Inland, IHCC, and their respective successors and assigns. This Agreement is not intended to benefit any other person.

19. Entire Agreement . The terms of this Agreement contain every aspect of the agreement reached between Ispat Inland and MCC with respect to the matters covered in this Agreement. This Agreement speaks for itself and cannot be modified in any way by any evidence or reference to any other negotiations or purported agreement between the parties. To that end, each party clearly intends that no evidence except the provisions of this Agreement may be introduced in any proceeding involving this Agreement. There are no representations, stipulations, warranties, agreements or understandings with respect to the subject matter of this Agreement which are not fully expressed herein. Provided, this Agreement shall not be construed as amending, modifying, or otherwise superseding the terms and conditions of the letter agreement dated August

30, 2000, between Ispat Inland, on the one hand, and FFICC and Jewell Coke Company, L.P. ("Jewell"), on the other, as such letter agreement pertains to the sale of eighty thousand (80,000) tons of coke by Jewell to Ispat Inland.

20. Counterpart Execution. This Agreement may be signed in counterparts, and each counterpart shall have the same force and effect as though the signatures were contained in a single document.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

Ispat Inland Inc.

Indiana Harbor Coke Company, L.P., through Indiana Harbor Coke Company, its general partner.

By: /s/ President
Title: President

By: _____
Title:

Exhibit “A” to Amendment to Coke Purchase Agreement and Letter Agreement, Consent to Permit Modification, and Mutual Release

CALIBRATION AND MAINTENANCE OF THE RAMSEY 10-14 BELT SCALE

PURPOSE: Describes the steps necessary to maintain proper calibration of the Ramsey Belt Conveyor Scale.

- Twice weekly, perform an auto zero run in addition to the span check auto zero, and record and chart the results in the Ramsey scale book, subject to and in accordance per attachment I. (As used herein and in “Attachment 1”, the phrase “auto zero run” does not refer to auto zero tracking.) Acceptable results for a zero drift are less than +/- .25% error.
 - Once weekly, perform a simulated test utilizing the static weights per attachment 2. Acceptable results for a span are less than +/- 0.25% from the value obtained immediately after the last valid material test.
 - On a weekly basis, inspect the conveyor to check that all idlers are freely turning. Note any idlers that need replacing and refer them to maintenance for replacement. Note: If any of the precision idlers in the scale area are changed, the calibration of the scale may be affected. A material test should be conducted to verify that the scale is weighing accurately.
 - Inspect the scale for coke that may be built up or lodged in the scale carriage before performing maintenance calibration. Clear any coke and re-zero and span the scale.
 - When performing greasing, belt training, belt tension adjustments, and skirt board adjustments or replacements, the scale shall be zeroed.
 - Once every six months, perform a material test per attachment 3.
 - Inland shall be given access to all scale records including those in the scale memory and hard copies of charts (attachment 4) and records (attachment 5). Such access includes material tests, zero, and span checks and calibrations. Inland at its option may audit any scale related procedures, charts, and reports upon at least forty-eight (48) hours’ prior written notice and during normal working hours.
-

Attachment 1 to Calibration and Maintenance of the Ramsey 10-14 Belt Scale
Zero Calibration

Run the belt for at least 1/2 hour before testing. The belt needs to be empty of all material before beginning an auto zero run. If material comes onto the belt during the test, wait for material to clear the belt then hit RUN and re-start the test. Do not re-zero the scale during adverse weather conditions such as high winds, rain or snow.

Perform a routine inspection of conveyor prior to performing maintenance calibration.

- 1) Press MENU
- 2) Press ZERO CAL
- 3) Press START

The time will count down to zero indicating that three revolutions of the belt have passed. The upper display will read Auto Zero Complete.

- 4) The integrator will display a percent error record and chart the value "as found". If the error exceeds +/- 0.25%, see troubleshooting, correct the problem, and re-zero the scale. For errors less than +/- 0.25%, zero the scale by pressing yes and record and chart the "as left" value in the scale book.
- 5) Confirm the zero calibration with a repeat check. If greater than +/- 0.25% go to step 1.

Troubleshooting

Common causes of zero calibration shifts are:

- 1) Material built up on or lodged in the weighbridge. Clean the weighbridge and re-zero the scale
 - 2) Change in conveyor belt tracking. Alignment should be in the center of the scale area idlers when the belt is empty and loaded.
 - 3) Non-uniform conveyor belting.
 - 4) Trouble in electronic measuring components.
 - 5) Severely overloaded loadcell.
-

Attachment 2 to Calibration and Maintenance of the Ramsey 10-14 Belt Scale

Span Calibration

Run the belt for at least 1/2 hour before testing. The belt needs to be empty of all material. If material conies during the test, hit RUN and re-start the test. It is preferred not to run a span during adverse weather conditions as results may be affected.

Perform a zero prior to span calibration per attachment 1

- 1) Record Master Totalizer number “as found”
- 2) Press MENU
- 3) Press SPAN CAL
- 4) Press Continue
- 5) Place the simulated weights on the weighbridge ..
- 6) Press START

The time will count down to zero indicating that three revolutions of the belt have passed. The upper display will read Auto Span Complete.

- 7) The integrator will display a span percent error. Do not change the span. Record and chart the “as found” error in the scale book. An acceptable error is less than $\pm 0.25\%$ from the value obtained immediately after the last material test. Record and chart the “as left” value in the scale book. For errors exceeding that percentage range, see troubleshooting, correct the problem, zero and re-span the scale. Record and chart the “as left” value in the scale book. If the error is greater than $\pm 0.75\%$, troubleshoot, correct the problem, zero and re-span the scale. Record and chart the “as left” values. Perform a material test at the earliest opportunity.
- 8) Confirm the span calibration with a repeat check. (See step 6.)
- 9) Record the master totalizer number “as left” value.

Troubleshooting

Common causes of span calibration shifts are:

- 1) Changes in conveyor belt tension
 - 2) Speed sensor roller material build-up or slipping
 - 3) Scale alignment
 - 4) Severely overloaded loadcell
 - 5) Trouble in electronic measuring components
-

Attachment 3 to Calibration and Maintenance of the Ramsey 10-14 Belt Scale

Material Calibration

- 1) Identify an accurate reference scale, such as a portable truck scale with an accuracy of $\pm 0.2\%$. The scale should provide printable scale information including weight, time, date, and weight readable in 20# gradations.
 - 2) Calibrate the scale one-day before the test with NIST traceable static weights using a buildup test to the highest gross weight in use for the materials tested. Use this scale for the reference scale for the material test. If the difference is greater than $\pm 0.25\%$ troubleshoot the problem and then recalibrate the reference scale.
 - 3) Arrange for rental of adequate trucks.
 - 4) Obtain the following conveying equipment and manpower to operate same:
 - (Screening station side of C-8) - a generator to provide a power supply, a Thunderbird type feed conveyor with an enclosed chute, a hopper conveyor with an adjustable feed gate, an extension conveyor, booting to load slag onto C-8 conveyor
 - (Coke loading side) - a generator to provide power, a collection hopper with an adjustable gate, an extension conveyor for loading trucks.
 - 5) Obtain not less than 110 tons 2" blast furnace slag or other appropriate material to serve as the test material.
 - 6) Obtain empty weights on all trucks by truck number on the day of the test.
 - 7) Load five trucks with not less than 110 tons of material.
 - 8) Weigh the trucks on the above-calibrated scale.
 - 9) Run C-8 belt empty for at least 30 minutes before commencing the test.
 - 10) Zero the scale (reference Attachment 1 when zeroing).
 - 11) Conditions such as high wind, rain or snow will adversely affect the outcome of the material test. If such conditions exist at the time of the test, consideration should be given to reschedule the test under more favorable weather conditions.
 - 12) Position one truck under the west chute at the coke loading station for catching overflow material.
-

- 13) Before commencing the test, verify that the 7 Blast Furnace 10 belt has been shut down and an “E” switch has been pulled. This precaution is very important, as the parties do not want to send material other than coke to the blast furnace.
- 14) Begin loading slag into the Thunderbird, note truck number.
- 15) Record the “as found” Master Totalizer quantity. Set the IHCC C-8 scale to material mode:
 1. Press MENU
 2. Press Mat'l Cal
 3. Press Start

This procedure will allow the scale to accumulate tonnage without adding it to the master total for the scale. At end of the test do not add reference material to totals.

- 16) Start up the generator and portable conveyors.
 - 17) Maintain radio contact between the material feed system, coke load out and the scale for coordination purposes.
 - 18) Begin loading material onto C-8 belt. Assure spillage at the transfer points is captured and put back into the hopper. If spillage cannot be captured, modify the system to eliminate the problem and re-start the test. Adjust the feed rate with the gate on the hopper conveyor to maintain a steady scale loading between 140 and 392 tons per hour. Previous tests have shown a rate of 170 to 250 tons per hour to be optimum.
 - 19) Document truck numbers and tabulate weights as they dump into the Thunderbird.
 - 20) As trucks fill at the coke loading area flop the gate toward the west pantleg while the trucks switch out.
 - 21) Continue until all pre-weighed material has cleared the C-8 conveyor and been loaded into trucks.
 - 22) Compare the tons dumped by truck onto C-8 to the tons accumulated on the scale and calculate the error as follows:

Adjust the scale by the amount of error.
 - 23) Perform three confirming material tests. Results must be within +/- 0.50% of the pre-weighed material weight. If the results are not within that percentage range, recalibrate the scale.
-

- 24) Perform a span test on the scale to reference the static weights to the material test. Document the error in the scale book.
 - 25) After the test is complete, jog the Blast Furnace 10 belt and remove any material that may have accumulated in the chute at our coke loading station.
 - 26) Record and chart the “as left” Master totalizer, the span and zero values.
-

Exhibit "B" to Amendment to Coke Purchase Agreement and Letter Agreement, Consent to
Permit Modification, and Mutual Release

CERTIFICATE

To: The Bank of New York
101 Barclay Street, 12E
New York, New York 10286

Pursuant to Section 4(a)(x) of that certain Escrow Agreement among Indiana Harbor Coke Company, L.P. ("Seller"), Ispat Inland Inc. ("Purchaser"), formerly known as Inland Steel Company, and the Bank of New York as Escrow Agent ("Escrow Agent"), Seller and Purchaser certify that the Escrow Agent is hereby authorized and directed to transfer from the First Escrow Fund to Purchaser all funds presently in such First Escrow Fund.

This document may be executed in counterparts by each party which shall constitute one fully executed document.

Please wire transfer all such funds to Ispat Inland Inc.'s Account No. ***** at the Mellon Bank, *****, no later than the close of business, April 2, 2001

Dated: March , 2001

Indiana Harbor Coke Company, L.P.
Through Indiana Harbor Coke Company, its General
Partner

Ispat Inland Inc.,
Formerly known as Inland Steel Company

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Exhibit "C" to Amendment to Coke Purchase Agreement and Letter Agreement, Consent to Permit Modification, and Mutual Release

	Price Increase Range	Minimum Value	Average	Maximum Value	Price Decrease Range	Rejection Value
Ash	*****	*****	*****	*****	*****	*****
Stability	*****	*****	*****	*****	*****	*****
Mean Size	*****	*****	*****	*****	*****	*****
Moisture	*****	*****	*****	*****	*****	*****
Alkalies		*****	*****	*****		*****
Phosphorus	*****	*****	*****	*****	*****	*****
Sulfur	*****	*****	*****	*****	*****	*****
CSR		*****	*****	*****	*****	*****
Size < ***** "	*****	*****	*****	*****	*****	*****
Size < ***** "				*****		*****
Volatile Matter			*****	*****		*****
Bulk Density		*****	*****	*****		*****

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH FIVE ASTERISKS (*****).

SUPPLEMENT TO THE COKE PURCHASE AGREEMENT

This SUPPLEMENT TO THE COKE PURCHASE AGREEMENT (this “Supplement”), dated as of February 3, 2011, is by and between Indiana Harbor Coke Company, L.P. (“IHCC”) and ArcelorMittal USA LLC (formerly known as ArcelorMittal USA Inc. and successor to Inland Steel Company) (“AMUSA”). IHCC and AMUSA are referred to herein individually as a “Party” and collectively as the “Parties.”

WHEREAS, IHCC and AMUSA are party to that certain Amended and Restated Coke Purchase Agreement dated as of February 19, 1998 (as may have been amended, modified or otherwise supplemented, the “Coke Purchase Agreement”); and

WHEREAS, IHCC and AMUSA desire to supplement and memorialize certain policies and procedures associated with the Coke Purchase Agreement.

NOW THEREFORE, in consideration of the promises and the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

1. Effective Date. This Supplement shall become effective and enforceable as of January 1, 2011, and its term shall be the remainder of the Initial Term as set forth in Section 2.1 of the Coke Purchase Agreement.
2. Definitions. Except as otherwise provided herein, capitalized terms used in this Supplement that are not otherwise defined herein shall have the meanings set forth in the Coke Purchase Agreement.
3. Supplements to the Coke Purchase Agreement.

3.1 Pad Coal. The Parties shall account for Pad Coal (as defined in Attachment A) in accordance with Attachment A.

3.2 Billing Yield Adjustments. The Parties shall continue to have yield tests as set forth in Section 5.1 (a)(2) of the Coke Purchase Agreement. However, the Parties acknowledge that it is impractical and costly to perform a yield test to determine the screened Coke yield standard used to convert coal price to coke cost pursuant to Section 5.1(a) (the “Billing Yield”) every time there is a change in the coal blend at the Coke Plant. Therefore, between yield tests, the Parties shall adjust the Billing Yield for changes in the coal blend as set forth on Attachment B.

3.3 Budgeting for Yield Tests.

- (a) For the 2011 Contract Year, IHCC shall pay for the next yield test and shall not pass any costs associated with such yield test through to AMUSA, as operating costs or otherwise. Such yield test shall be scheduled once protocols for such yield test have been agreed to between the Parties (such agreement not to be unreasonably conditioned, withheld or delayed) and any conditions precedent set forth therein have been fully met. In addition, the Parties shall adjust the Annual Budget for the 2011 Contract Year to budget for an additional yield test, which shall be paid for according to the terms of the Coke Purchase Agreement.
- (b) In Contract Year 2012 and Contract Year 2013, the Parties agree to budget for two (2) yield tests each Contract Year in the Annual Budget established pursuant to Section 5.1(b)(1) of the Coke Purchase Agreement. In the event that more than two (2) yield tests are performed in either Contract Year 2012 or Contract Year 2013, the costs of such additional yield tests shall be considered operating costs and shall be allocated between the Parties as set forth in Section 5.1(b)(1) of the Coke Purchase Agreement.

3.4 Governmental Impositions. The Parties shall follow the procedures described in Attachment C for the reimbursement of certain Governmental Impositions.

4. Miscellaneous.

4.1 Counterparts. This Supplement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which shall together one and the same instrument.

4.2 Law. This Supplement shall be construed in accordance with and governed by, the laws of the State of Indiana without regard to its conflicts of law provisions, and the rights and remedies of the Parties hereunder will be determined in accordance with such laws. Any action or proceeding brought under or pursuant to this Supplement shall be brought in accordance with Article XII (Arbitration) of the Coke Purchase Agreement.

4.3 Captions. The captions at the beginning of each of the numbered sections herein are for reference purposes only and will have no legal force or effect. Such captions will not be considered a part of this Supplement for purposes of interpreting, construing or applying this Supplement and will not define limit, extend, explain or describe the scope or extent of this Supplement or any of its terms and conditions.

4.4 Terms and Conditions of the Coke Purchase Agreement; Conflicts.

(a) Except as expressly modified hereby, all terms and conditions of the Coke Purchase Agreement remain in full force and effect and are hereby in all respects ratified and confirmed.

(b) To the extent that there is any conflict between the terms of the Coke Purchase Agreement and this Agreement, this Supplement shall control.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed by their duly authorized representatives as of the date first set forth above.

INDIANA HARBOR COKE COMPANY, L.P.

By: Indiana Harbor Coke Company,
its General Partner

By: /s/ Frederick A. Henderson
Name: Frederick A. Henderson
Title: Authorized Representative

ARCELORMITTAL USA LLC

By: /s/ Om P. Mandhana
Name: Om P. Mandhana
Title: Vice President-Procurement and Supply Chain

[SUPPLEMENT TO THE COKE PURCHASE AGREEMENT]

ATTACHMENT A

Pad Coal Procedures

“ Pad Coal ” is defined as coal spillage which occurs when a coal blend is charged into the coke ovens as part of the coke making process at the Coke Plant.

Operating Procedures:

1. Pad coal is collected and weighed using IHCC’s truck scale at the Coke Plant and sent to a coal pile dedicated to Pad Coal at Lakeshore’s coal handling facility.
2. Subject to weather and quality concerns, Pad Coal is screened and re-introduced into the coal blend at *****% (*****% of agreed upon coal blend + *****% pad coal).

Billing Procedures:

1. When calculating the Coal Price Component of the Contract Price, volume of coal charged into the coke ovens is based on the coal charge weight immediately prior to such coal being charged into the coke ovens.
2. To the extent incorporated into the coal blend, Pad Coal shall be billed as part of the Coal Price Component of the Coke Price at a \$***** value.

ATTACHMENT B

Billing Yield Adjustments

“ Billing Yield ” means the screened Coke yield standard used to convert coal price to coke cost pursuant to Section 5.1 (a) of the Coke Purchase Agreement.

Between each yield test, the resulting agreed upon yield percentage shall become the basis for future adjustment of the Billing Yield for the coal blends used at the Coke Plant (the “ Base Billing Yield ”). To calculate the Billing Yield each month, the Base Billing Yield will be adjusted for any change in the coal blends during such month to reflect the weighted average moisture and weighted average volatile matter percentage of the coal blend(s) charged during such month (the “ Current Coal Blend ”). First, the Base Billing Yield shall be adjusted to a “dry” basis using the contractual coke moisture and the moisture content of the coal blend used to calculate Base Billing Yield (the “ Dry Basis Base Billing Yield ”). Second, the Dry Basis Base Billing Yield shall be adjusted by calculating the difference between *****, the number shall be positive and, where if the *****, the number shall be negative) and adding it to the Dry Basis Base Billing Yield (the “ Dry Basis Billing Yield ”). Third, the Dry Basis Billing Yield shall be adjusted to a “wet” basis using the contractual coke moisture and the moisture content of the Current Coal Blend. The resulting percentage shall be the Billing Yield for the Current Coal Blend. *****.

[*example on following page*]

ATTACHMENT B

PAGE 1

By way of example, using the agreed upon results of the yield test performed in June 2010:

Base Billing Yield = *****% (A) (based on a coal blend with a moisture content of *****% (B) and a volatile matter content of *****% (C))

Current Coal Blend = Coal blend(s) charged during the month with a weighted average moisture content of *****% (D) and a weighted average volatile matter content of *****% (E).

Contractual Coke Moisture = *****% (F)

		<u>Percent</u>	<u>Comments</u>
	Base Billing Yield	***** %	***** moisture content***** volatile matter content
(G)	Dry Basis Base Billing Yield	***** %	Adjusted using the moisture content of Base Billing Yield. *****
(H)	Change in Volatile Matter Content	***** %	VM content of Base Billing Yield less the VM content of the Current Coal Blend *****
(I)	Dry Basis Billing Yield	***** %	*****
Billing Yield for the Current Coal Blend:		*****%	The Dry Basis Billing Yield adjusted back to a wet basis using the moisture content of the Current Coal Blend *****

ATTACHMENT C

Governmental Impositions (Property Taxes)

Consistent with the previous agreement of the Parties and the current billing practices of IHCC, property taxes (including personal property taxes) representing Governmental Impositions under the Coke Purchase Agreement shall be reimbursed by AMUSA after such amounts become due and are paid by IHCC. Such Governmental Impositions shall be included as a line item addition to the monthly invoice with the appropriate back-up following payment by IHCC.

ATTACHMENT C

PAGE 1

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH FIVE ASTERISKS (*****).

Term Sheet

**INDIANA HARBOR COKE CO. L.P. – ARCELOR MITTAL USA
COKE PURCHASE AGREEMENT**

September 5, 2013

Parties:	ArcelorMittal USA (“AMUSA”) Indiana Harbor Coke Company L.P. (“IHCC”) AMUSA and IHCC will be known individually as “Party” and collectively as “Parties”
Existing Agreement:	“Existing Agreement” refers to the Amended and Restated Coke Purchase Agreement dated as of February 19, 1998 by and between Indiana Harbor Coke Company, L.P. and Inland Steel Company, predecessor to AMUSA, as amended and/or supplemented, including, without limitation, as amended by the Amendment to Coke Purchase Agreement and Letter Agreement, with an Effective Date of March 31, 2001.
Term:	The terms set forth in this Term Sheet and the subsequent agreement will commence on 10/1/2013 and continue through 10/1/2023 (the “Renewal Term”). The Existing Agreement will be modified to incorporate the terms of this Term Sheet.
Renewal Option:	The Renewal Option for periods beyond October 1, 2023 shall mirror the terms of the Article II, Section 2.2 of the Existing Agreement, subject to replacing the referenced computer model with calculation examples and formulas in the schedules and the other changes specifically referenced herein. AMUSA will have the right to rescind the exercise of any Renewal Option if, within ninety (90) days after receiving IHCC’s calculation of its incremental capital requirements and the resulting change in the rates proposed to be charged, including supporting documentation reasonably requested by AMUSA, AMUSA, in its sole discretion, rejects the amount of such incremental capital. For the first five years of any extension beyond 2023 (i.e., from 2023 – 2028), there will be a continuation of the return on capital payment at the rate of \$*****/net ton of furnace coke. This is in addition to the return on incremental capital for the extension period. In any case, after termination of the agreement, AMUSA will have no liability for the residual value of IHCC’s facilities.

Capital Expenditure Finality	IHCC has invested (or will invest) sufficient capital to provide service during the Renewal Term such that IHCC will continue to meet the Minimum Coke Purchase Requirement (***** Tons) of furnace coke meeting the quality specification as set forth in the Existing Agreement at the pricing set forth in the agreement as modified by this term sheet. For purposes of this Agreement, “Current Laws” means all laws and regulations, including without limitation environmental laws and regulations, in effect as of October 1, 2013, as well as permits in effect as of October 1, 2013 and as may be modified by the NOV negotiation discussed herein (“Current Laws”). The obligation of IHCC to meet the Minimum Coke Purchase Requirement will not be affected by IHCC’s compliance with Current Laws. IHCC and Cokenergy are currently engaged in settlement negotiations with the United States Environmental Protection Agency and Indiana Department of Environmental Management for resolution of Notices of Violation (“NOV negotiation”). The outcome is unknown. Notwithstanding the outcome of such NOV negotiation or IHCC’s compliance with Current Laws, the total contribution of capital for purposes of the pricing to AMUSA shall under no circumstances be increased. Even if IHCC is obligated to expend or contribute additional capital or fines as a result of the NOV negotiation, such additional capital expenditures or fines shall not be recoverable from AMUSA. For the avoidance of doubt, in the event that Cokenergy’s action or inaction causes IHCC to be non-compliant with Current Laws, IHCC shall continue to have an obligation to meet the Minimum Coke Purchase Requirement at the prices set forth herein.
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Refurbishment expense Cap	For purposes of this Agreement, the expense caps will be annualized. Machinery consists of the pusher charger machines, Door Machines (for purposes of this Agreement, “utility car” means door machine), hot car and locomotive. For the period April 1, 2013 to December 31, 2013, the maximum AMUSA liability for repair and maintenance expense categorized as oven batteries shall be \$*****/ton (based on the required minimum tonnage) For the period April 1, 2013 to December 31, 2013, the maximum AMUSA liability for repair and maintenance expense categorized as total machinery shall be \$*****/ton (based on the required minimum tonnage) For the period January 1, 2014 to December 31, 2014, the maximum AMUSA liability for repair and maintenance expense categorized as oven batteries shall be \$*****/ton (based on the required minimum tonnage). For the period January 1, 2014 to December 31, 2014, the maximum AMUSA liability for repair and maintenance expense categorized as total machinery shall be \$*****/ton (based on the required minimum tonnage) For the period January 1, 2015 to December 31, 2015 the total reimbursable expenditures for O&M expenses shall not exceed \$***** per ton unless labor rates are modified, electricity prices change, or natural gas prices are greater than or less than \$***** mmbtu. The maximum O&M value will be adjusted upward or downward for labor rates, electricity and natural gas prices. Personal property taxes will remain a direct reimbursable expense. For the period January 1, 2016 to December 31, 2016, the total reimbursable expenditures for O&M expenses shall not exceed the 2015 value except as adjusted by the BLS All Industrial Commodities Less Fuels Index change plus adjustments for changes in labor rates, electricity and natural gas prices. Personal property taxes will remain a direct reimbursable expense. For the period January 1, 2017 to December 31, 2017 the total reimbursable expenditures for O&M expenses shall not exceed the 2016 value except as adjusted by the BLS All Industrial Commodities Less Fuels Index change plus adjustments for labor rates, electricity and natural gas prices. Personal property taxes will remain a direct reimbursable expense. For the period January 1, 2018 through the end of the Renewal Term, the
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	O&M reimbursement expenses shall be based upon the annual budgeting process in the Existing Agreement, except for machinery expenses which shall be subject to the line item cap below. Personal property taxes will remain a direct reimbursable expense. For the period January 1, 2018 to September 30, 2023, the maximum AMUSA liability for repair and maintenance expense categorized as total machinery shall be \$*****/ton (based on the required minimum tonnage) adjusted by the annual change in the BLS All Industrial Commodities Less Fuels Index using the 2014 annual average bases. Examples of these calculations will be developed and approved as part of the Renewal Term documentation.
Timing for 2014 AMUSA, IHCC Projects and Upgrades	AMUSA reline of No. 7 Blast Furnace and timing for delivery and installation of two new Pusher Charger Machines and modification and upgrade of the Door Machines will impact 2014 coke production and will be reflected in the Minimum Coke Purchase Requirement for 2014, as set forth below. During the reline of No. 7 Blast Furnace, AMUSA will use best efforts to utilize the Coke produced by IHCC in its other blast furnaces (per the existing contract). This includes taking delivery of the coke produced on a mutually agreeable production schedule supporting agreement on the contractual minimum (per the next section).

Minimum Coke Purchase Requirement:	The Minimum Coke Purchase Requirement is ***** Tons per year (tpy) for the calendar year commencing January 1, 2015. The contractual Minimum Coke Purchase Requirement for 2014 shall be determined by mutual agreement of IHCC and AMUSA, based on the timing for delivery and installation of two new Pusher Charger Machines and the modification and upgrade of the Door Machines, as well as AMUSA's reline of No. 7 Blast Furnace. Commencing January 1, 2015, AMUSA agrees to take and pay for all coke production above the ***** tpy. The price for the Coke above ***** tpy in any calendar year shall be reduced by *****% of the total Return on Capital charge (i.e., \$*****). For the year commencing January 1, 2023, the Minimum Coke Purchase Requirement will be pro-rated for an October 1, 2023 contract end date, unless the Parties exercise a Renewal Option. In the event of any production shortfalls after January 1, 2014, Section 3.1(d) of the Existing Agreement shall continue to govern, provided that AMUSA's preference is, if possible, for IHCC to supply Coke meeting the Coke Quality Specifications from IHCC's affiliates.
incremental Return on Capital Charge	During the Renewal Term, the incremental return on capital charge will be \$*****/net Ton furnace coke,
Current Return on Capital Charge extension	AMUSA will continue to pay the current \$*****/ton return on capital charge for the duration of the Renewal Term which will satisfy any ongoing maintenance capital and any liability for residual value of the facility.
Coal Cost:	Pass through (same as Existing Agreement), AMUSA and IHCC to jointly develop the blend of coals to be used by IHCC. Coal blend development will cover all costs components of coal, including FOB mine coal costs, logistics and handling costs.
Yield Test:	AMUSA and IHCC shall make reasonable commercial efforts to negotiate a mutually agreeable coal to coke yield measurement process in lieu of the yield test. Such negotiation and any coke yield measurement process shall also address issues of inventory control and spillage control. Notwithstanding the foregoing, AMUSA and IHCC shall not have an obligation to agree to a new coke yield measurement process.
O&M:	Annual Budget (same as Existing Agreement) in 2014 and 2018-2023, 50/50 on variances. In the years 2015-17 budget will equal the Refurbishment Expense Cap amounts for those years as described above. IHCC is solely responsible for variance above the limits set forth in Refurbishment Expense Cap. IHCC will share any variance below the Refurbishment Expense Cap with AMUSA on a 50/50 basis.
Inventory Risk:	Pass through (same)

Coal Handling and other coal charges:	Pass through (same)
LakeShore Coal Handling:	Assuming IHCC purchase of Lakeshore, the rate shall be the 2013 rate (\$*****), plus any capital recovery charge that both Parties mutually agree is beneficial through June 30, 2014, provided, however, that the Parties shall not have an obligation to agree to any capital recovery charge. After June 30, 2014, the rate escalates by the factors shown in Schedule 4.1 of the Coal Handling Agreement dated August 30, 2013 between IHCC and SunCoke Lake Terminal LLC.
IHCC-Cokenergy Contract	Cokenergy owns and operates the heat recovery steam generators, flue gas desulfurization system, and associated equipment. IHCC will continue to try to reach an agreement with Cokenergy, and a new agreement with Cokenergy may not be reached on or before October 1, 2013. However, this Agreement is not dependent upon, or subject to revisions based on, any such agreement between IHCC and Cokenergy. In no event shall any amounts payable by IHCC to Cokenergy be passed through to AMUSA as operating or capital costs or otherwise.
Governmental Impositions:	Operating costs shall include all Governmental Impositions occurring on or after October 1, 2013 (excluding any imposed as a result of or in connection with the NOV negotiations) which IHCC is not reasonably able to mitigate plus actual costs incurred by the IHCC in the course of such mitigation. Governmental Imposition shall have the definition in Section 1.30 of the Existing Agreement, with an additional clause that Governmental Impositions shall not include any assessment, charge, impost or levy, however denominated, that are a result of events occurring or conditions existing, including any failure to comply with Current Laws.

Government Regulations affecting IHCC:	To the extent that Current Laws may result in the need for a shutdown or curtailment of AMUSA and/or IHCC's facility, irrespective of when such a shutdown or curtailment occurs, AMUSA and/or IHCC shall not be excused or in any way released from its obligation to perform under this agreement. While AMUSA and IHCC know of no future laws or regulations to be enacted or instituted after October 1, 2013 that may result in the need for a shutdown or curtailment of AMUSA's facility or IHCC's facility, if EPA or IDEM orders shutdown or curtailment of either facility, AMUSA and IHCC will make best efforts to obtain relief from such order, and will work to reach a resolution that will prevent shutdown or curtailment of AMUSA's and/or IHCC's operations. Only if such order results from laws or regulations enacted after October 1, 2013, or from the enforcement of National Ambient Air Quality Standard regulations enacted prior to October 1, 2013, no liquidated damages or default will be assigned to or imposed upon AMUSA and/or IHCC for such shut down or curtailment. If, as a result of laws or regulations enacted after October 1, 2013, EPA or IDEM orders the installation of new equipment for IHCC on a no-fault basis, separately from any past, current or future enforcement action, IHCC and AMUSA will either negotiate to reach mutual agreement to continue operating, with mutually agreed upon adjustments to the Agreement, or cease operations at by an agreed-upon date. If, after 60 days, the Parties cannot reach mutual agreement, either Party may elect to terminate the agreement, provided, however, that if IHCC elects to terminate, IHCC first must offer AMUSA the opportunity to take over IHCC's facility for \$1. IHCC will assume any new liabilities that arise on or after the start of such 60 day period related to IHCC.
Confidential Information:	The definition of "Confidential Information" and Section 15.11 ("Confidentiality") in the Existing Agreement will be updated to incorporate the definition and terms of the current Confidentiality Agreement between AMUSA and IHCC.

Additional Agreement Terms:	This term sheet is intended to be binding and enforceable. AMUSA and IHCC will negotiate in good faith to execute an amendment and/or amendment and restatement to the Existing Agreement incorporating the terms of this term sheet, including any modifications to the remaining terms of the Existing Agreement, with the understanding that limited or no modification will likely be needed for the majority of remaining terms, including but not limited to Force Majeure, Arbitration, Warranties, Assignability, Audit of Records, etc., except as otherwise modified or limited in this Term Sheet. Article XIV, Conditions Precedent, will be substantially modified given that the Conditions Precedent at the time of the Existing Agreement entry have been met or expired. Until the Parties agree to such amendment, and in the event that the Parties are unable to agree to such amendment, this Term Sheet shall represent the binding agreement of the Parties.
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This Term Sheet has been executed by duly authorized representatives of the Parties as of the date first written above.

ArcelorMittal USA LLC

By:
Name:
Title:

ArcelorMittal USA LLC

By:
Name:
Title:

Indiana Harbor Coke Co L.P.

By: Indiana Harbor Coke Company, its General Partner

By:
Name:
Title:

Schedule 4.1 to the Coal Handling Agreement

Adjustment of Contract Price

(a) The Contract Price shall be adjusted on an annual basis effective July 1st of each year starting July 1st, 2014 in accordance with the provisions of this Schedule 4.1.

(b) The Contract Price for the first 2.0 million tons of coal received and stockpiled at the Work Site in any Calendar Year is divided into fixed and variable costs in percentage weights as follows:

COMPONENT	\$/TON	COMPONENT WEIGHT	ESCALATION INDEX NAME & NUMBER	INDEX BASE 6/1/2012
Fixed Cost	*****	*****		
Variable Costs				
Labor	*****	*****	Wage Rate (straight time) and Fringe Benefits for Plant Operators per Collective Bargaining Agreement between International Union of Operating Engineers, Local 150 and SXCP affiliate	*****
Fuel	*****	*****	#2 Diesel Fuel 0573-03 (PPI) from Bureau of Labor Statistics average for the year	*****
Materials	*****	*****	PPILFE (Less food and energy) from Bureau of Labor Statistics average for the year	*****
Total Variable Costs	*****	*****		
Base Price	*****	*****		

(c) The Contract Price shall be adjusted on in the following manner:

- (1) The Fixed Cost component shall not be adjusted
- (2) The Variable Cost components shall be adjusted on an annual basis in respect of changes in the index applicable to the weighted percentages of the respective cost component.
- (3) Adjustments to the Variable Cost components shall be made applicable to coal delivered to the Work Site on or after July 1st of each year. The initial adjustment will be made on July 1st, 2014 reflecting the changes between 2013 calendar year average index values and the 2012 base index values.

(4) Each Contract Price component adjustment shall be calculated separately and rounded to the nearest tenth of a cent (\$0.001) per ton; then all of the components shall be combined to obtain the necessary adjustment, which shall be stated to the nearest tenth of a cent (\$0.001) per ton.

(5) Each adjustment to each Contract Price component shall be calculated using the formula:

(6)

where:

CC is the Cumulative Change in component price *****

CV is the current value of the index as first published for adjustment of the component.

IB is the index base value

CP is the sum of the value of the variable cost components of the Contract Price

PC is the component percentage of each variable cost components.

SAMPLE CALCULATION

Contract Price	\$***** per ton
Fixed Element of Contract Price	\$***** per ton
Variable Element of Base Price	\$***** per ton
Labor Cost Component	*****% of Contract Price Variable Cost Element
Index Base of Labor Cost	\$*****
Current Value of Labor Cost	\$*****
Increase in Labor Cost Component	*****
	= \$***** per ton

Assuming that at the Contract Price adjustment date there were no increases or decreases in the other variable costs, the revised Contract Price would be equal to the following sum:

Fixed Element of Contract Price	\$***** per ton
Variable Cost Element of Contract Price	\$***** per ton
Contract Price Adjustment	<u>\$***** per ton</u>
Revised Contract Price	\$***** per ton

(d) The Contract Price for tons of coal in excess of 2.0 million tons received and stockpiled at the Work Site in any Calendar Year shall be only the Variable Cost components adjusted at the same percentage rate as that calculated for the first 2.0 million tons.

CERTIFICATION

I, Frederick A. Henderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 of SunCoke Energy, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Frederick A. Henderson
Frederick A. Henderson
Chief Executive Officer and Chairman
October 30, 2013

CERTIFICATION

I, Mark E. Newman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 of SunCoke Energy, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Mark E. Newman

Mark E. Newman

Senior Vice President and Chief Financial Officer

October 30, 2013

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF SUNCOKE ENERGY, INC.
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Quarterly Report on Form 10-Q of SunCoke Energy, Inc. for the fiscal quarter ended September 30, 2013, I, Frederick A. Henderson, Chief Executive Officer and Chairman of SunCoke Energy, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013 fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013 fairly presents, in all material respects, the financial condition and results of operations of SunCoke Energy, Inc. for the periods presented therein.

/s/ Frederick A. Henderson
Frederick A. Henderson
Chief Executive Officer and Chairman
October 30, 2013

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF SUNCOKE ENERGY, INC.
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Quarterly Report on Form 10-Q of SunCoke Energy, Inc. for the fiscal quarter ended September 30, 2013, I, Mark E. Newman, Senior Vice President and Chief Financial Officer of SunCoke Energy, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013 fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013 fairly presents, in all material respects, the financial condition and results of operations of SunCoke Energy, Inc. for the periods presented therein.

/s/ Mark E. Newman

Mark E. Newman

Senior Vice President and Chief Financial Officer

October 30, 2013

SunCoke Energy, Inc.
Mine Safety Disclosures for the Quarter Ended September 30, 2013

We are committed to maintaining a safe work environment and working to ensure environmental compliance across all of our operations. The health and safety of our employees and limiting the impact to communities in which we operate are critical to our long-term success. We believe that we employ industry best practices and conduct routine training programs equal to or greater than current regulatory requirements. We also focus additional effort and resources each day and each shift to help ensure that our employees are focused on safety. Furthermore, we employ a structured safety and environmental process that provides a robust framework for managing, monitoring and improving safety and environmental performance.

We have consistently operated our metallurgical coke operations within or near the top quartile for the U.S. Occupational Safety and Health Administration's recordable injury rates as measured and reported by the American Coke and Coal Chemicals Institute. We also have worked to maintain low injury rates reportable to the U.S. Department of Labor's Mine Safety and Health Administration ("MSHA") and won the Sentinels of Safety award for 2008 from MSHA for having the mine with the most employee hours worked without experiencing a lost-time injury in that mine's category.

The following table presents the information concerning mine safety violations and other regulatory matters that we are required to report in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Whenever MSHA believes that a violation of the Federal Mine Safety and Health Act of 1977 (the "Mine Act"), any health or safety standard, or any regulation has occurred, it may issue a citation which describes the violation and fixes a time within which the operator must abate the violation. In these situations, MSHA typically proposes a civil penalty, or fine, that the operator is ordered to pay. In evaluating the following table regarding mine safety, investors should take into account factors such as: (1) the number of citations and orders will vary depending on the size of a coal mine, (2) the number of citations issued will vary from inspector to inspector, mine to mine and MSHA district to district and (3) citations and orders can be contested and appealed, and during that process are often reduced in severity and amount, and are sometimes dismissed.

The mine data retrieval system maintained by MSHA may show information that is different than what is provided in the table below. Any such difference may be attributed to the need to update that information on MSHA's system or other factors. Orders and citations issued to independent contractors who work at our mine sites are not reported in the table below. All section references in the table below refer to provisions of the Mine Act.

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)(2)	Section 104(b) Orders (#)(3)	Section 104 (d) Citations and Orders (#)(4)	Section 110(b) (2) Violations (#)(5)	Section 107(a) Orders (#)(6)	Total Dollar Value of MSHA Assessments Proposed (\$) (7)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104 (e) (yes/no) (8)	Received Notice of Potential to Have Pattern Under Section 104 (e) (yes/no) (9)	Legal Actions Pending as of Last Day of Period (#)(10)(11)	Legal Actions Initiated During Period (#) (12)	Legal Actions Resolved During Period (#) (13)
4407220/Dominion 44	18	0	0	0	0	\$ 23,122	0	No	No	106	28	10
4406839/Dominion 34	7	0	0	0	0	\$ 8,275	0	No	No	14	8	4
4406748/Dominion 30	25	0	0	0	0	\$ 25,798	0	No	No	155	43	11
4406718/Dominion 26	1	0	0	0	0	\$ 0	0	No	No	23	0	3
4406499/Dominion 7	7	0	0	0	0	\$ 7,227	0	No	No	95	1	15
4406759/Dominion 36	1	0	0	0	0	\$ 351	0	No	No	374	32	51
4400649/Preparation Plant 2	0	0	0	0	0	\$ 0	0	No	No	n/a	n/a	n/a
4407058/Heavy Equip Shop	0	0	0	0	0	\$ 0	0	No	No	0	0	0
4406716/Central Shop	0	0	0	0	0	\$ 0	0	No	No	n/a	n/a	n/a
4407239/Flat Rock	1	0	0	0	0	\$ 0	0	No	No	n/a	n/a	n/a
4407142/Flat Rock Pre Plant	0	0	0	0	0	\$ 0	0	No	No	n/a	n/a	n/a
4404296/Gardner	0	0	0	0	0	\$ 0	0	No	No	n/a	n/a	n/a
4407080/Pine Creek	0	0	0	0	0	\$ 0	0	No	No	n/a	n/a	n/a
4406860/Raven	0	0	0	0	0	\$ 0	0	No	No	n/a	n/a	n/a
Total	60	0	0	0	0	\$ 64,773	0	0	0	767	112	94

- (1) The table does not include the following: (i) facilities which have been idle or closed unless they received a citation or order issued by MSHA, (ii) permitted mining sites where we have not begun operations or (iii) mines that are operated on our behalf by contractors who hold the MSHA numbers and have the MSHA liabilities.
- (2) Alleged violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.
- (3) Alleged failures to totally abate a citation within the period of time specified in the citation.
- (4) Alleged unwarrantable failure (i.e., aggravated conduct constituting more than ordinary negligence) to comply with a mining safety standard or regulation.
- (5) Alleged flagrant violations issued.
- (6) Alleged conditions or practices which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.
- (7) Amounts shown include assessments proposed during the quarter ended September 30, 2013 and do not necessarily relate to the citations or orders reflected in this table. Assessments for citations or orders reflected in this table may be proposed by MSHA after September 30, 2013.
- (8) Alleged pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards.
- (9) Alleged potential to have a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards.
- (10) This number reflects legal proceedings which remain pending before the Federal Mine Safety and Health Review Commission (the "FMSHRC") as of September 30, 2013. The pending legal actions may relate to the citations or orders issued by MSHA during the reporting period or to citations or orders issued in prior periods. The FMSHRC has jurisdiction to hear not only challenges to citations, orders, and penalties but also certain complaints by miners. The number of "pending legal actions" reported here reflects the number of contested citations, orders, penalties or complaints which remain pending as of September 30, 2013.

- (11) The legal proceedings which remain pending before the FMSHRC as of September 30, 2013 are categorized as follows in accordance with the categories established in the Procedural Rules of the FMSHRC:

Mine or Operating Name/MSHA Identification Number	Contests of Citations and Orders (#)	Contests of Proposed Penalties (#)	Complaints for Compensation (#)	Complaints for Discharge, Discrimination or Interference Under Section 105 (#)	Applications for Temporary Relief (#)	Appeals of Judges' Decisions or Orders (#)
4407220/Dominion 44	0	28	0	0	0	0
4406839/Dominion 34	0	8	0	0	0	0
4406748/Dominion 30	0	43	0	0	0	0
4406718/Dominion 26	0	0	0	0	0	0
4406499/Dominion 7	0	0	0	1	0	0
4406759/Dominion 36	0	32	0	0	0	0
4400649/Preparation Plant 2	n/a	n/a	n/a	n/a	n/a	n/a
4407058/Heavy Equip Shop	n/a	n/a	n/a	n/a	n/a	n/a
4406716/Central Shop	n/a	n/a	n/a	n/a	n/a	n/a
4407239/Flat Rock	n/a	n/a	n/a	n/a	n/a	n/a
4407142/Flat Rock Pre Plant	n/a	n/a	n/a	n/a	n/a	n/a
4404296/Gardner	n/a	n/a	n/a	n/a	n/a	n/a
4407080/Pine Creek	n/a	n/a	n/a	n/a	n/a	n/a
4406860/Raven	n/a	n/a	n/a	n/a	n/a	n/a
Total	0	111	0	1	0	0

- (12) This number reflects legal proceedings initiated before the FMSHRC during the quarter ended September 30, 2013. The number of “initiated legal actions” reported here may not have remained pending as of September 30, 2013.
- (13) This number reflects legal proceedings before the FMSHRC that were resolved during the quarter ended September 30, 2013.