THE MUSGRAVE'S

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Honorable Shelly Chapman
1 Bowling Green
Courtroom 621
New York, NY 10004

October 19, 2012

Submitted Information for Patriot Coal Bankruptcy

Our names are Bil and Kim Musgrave. Our address is PO Box 565, Boonville Indiana 47601. We are concerned citizens of Warrick County, Indiana. Bil is a retiree of Peabody Coal Company and worked at Squaw Creek Surface Mine. He is a member of United Mine Workers of America ("UMWA") Local 1189 whose members mined the coal for Peabody at the Squaw Creek Mine. Bil was never an employee of Patriot Coal Company or any of its subsidiaries; We rely on the contractual obligations that Peabody Coal Company agreed to give its workers upon Bil's retirement in 2000. Our case and the other retirees of Peabody Squaw Creek Coal Company are somewhat unique.

I have a document which is enclosed that states that Alcoa is responsible for the health care, black lung, pension, and prescription medication, of retirees of Squaw Creek Mine.

Still all insurance claims are paid through Patriot Coal Company or one of Patriot Coal subsidiaries. We would like an opinion from the bankruptcy Judge Chapman as to whether the approximately 400 UMWA retirees and dependents are at risk for loosing benefits and Healthcare with the Patriot Bankruptcy.

It especially affects my family in that as Peabody was mining coal, Alcoa was bring what we now know was toxic waste from its Alcoa Warrick Operations. There are many health problems associated with this mine as miners and their families recreated on the many lakes and woods on the 8,000 acre mine.

Alcoa claims to be a joint venturer in the Squaw Creek Mine and dumped 7.4 million cubic feet of chromium sludge, also 69,000,000 gallons of coal tar pitch (a known cause of cancer)

Bil developed a rare form of cancer, bile duct cancer, or Cholangiocarcinoma in 2000.

Bile duct cancer affects only 2,500 people in the whole United States of America each year. He has gone through four major surgeries and countless other surgeries and procedures to stay alive. Mayo Clinic advised us that in 2001, Bil is one of only sixteen people worldwide to survive bile duct cancer after 9 months of chemotherapy, intense radiation, exploratory surgery, and a liver transplant.

Another miner from the Chandler, Indiana area was diagnosed and died of Cholangiocarcinoma. He performed the same job assignments at Squaw Creek Mine Bil performed and recreated on the mine property. A third person who lives in Chandler Indiana also died of cholangiocarcinoma after swimming in the open water pits at the Squaw Creek Mine. This is three cases of Cholangiocarcinoma tied to Peabody Squaw Creek Mine area.

Bil takes approximately 45 pills a day to stay alive, plus insulin. Without the promised healthcare, pension and prescription drug coverage that Peabody Coal Company promised Bil he will be at risk for death.

This is just one case of many you should consider in the bankruptcy of Patriot Coal. My , pension, healthcare, prescription medication, and coverage for follow-up visits to Mayo Clinic are a **true matter of life and death.**

Respectfully submitted this 19th day of October, 2012,

Bil Musgrave

Kim Musgrave

REINSTATED JOINT VENTURE AGREEMENT
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RESTATED JOINT VENTURE AGREEMENT

This Restated Joint Venture Agreement is entered into as of this 2nd day of May 1996 by and between PEABODY COAL COMPANY, a Delaware corporation and qualified to do business in the State of Indiana (hereinafter called "Peabody"), and ALUMINUM COMPANY OF AMERICA, a Pennsylvania corporation and qualified to do business in the State of Indiana (hereinafter called "Alcoa").

WHEREAS, Peabody and Alcoa have previously entered into a Joint Venture Agreement, dated as of January 30, 1960; and

WHEREAS, the parties have previously amended the Joint Venture Agreement as of January 1, 1981 and further amended the Joint Venture Agreement as of February 14, 1984; and

WHEREAS, the parties desire to restate the Joint Venture Agreement to their mutual benefit; and

WHEREAS, attached hereto and made a part hereof as Exhibit A is a map of the Squaw Creek Mine, as defined in Section 1.3(a) below, indicating the North 400 Area (the "North 400 Area") and the Non-North 400 Area, which includes the South Field (the "South Field"), (the "Non-North 400 Area").

NOW, THEREFORE, intending to be legally bound, the parties agree to enter into this Restated Joint Venture Agreement (the "Agreement"), effective as of the 1st day of January, 1996, upon the following terms and conditions:

ARTICLE I

NAME, CAPITAL AND PURPOSES

Section 1.1. Name. The name of this Joint Venture is: SQUAW CREEK COAL COMPANY (herein called "Squaw Creek").

Section 1.2. Capital. The initial capital of Squaw Creek consisted of $375,000 of which Alcoa contributed $250,000, and Peabody contributed $125,000, in cash.

Section 1.3. Purposes. The purposes of the Joint Venture are:

(a) To develop and conduct coal mining operations relating to the Millersburg coal seam located on (1) the North 400 Area of the Squaw Creek Mine located in Warrick County, Indiana (the "Squaw Creek Mine"), at Peabody's sole cost and expense and (2) the South Field of the Squaw Creek Mine at Squaw Creek's cost and expense, and to acquire by purchase, lease or otherwise, all of the necessary machinery, equipment and facilities for surface coal mining operations associated with the South Field;

To engage in the business of surface mining, processing, selling and
al from such lands;

: mine To conduct coal mining closure and reclamation operations on the North
ıd the Non-North 400 Area and to acquire by purchase, lease or otherwise all
ssary machinery, equipment and facilities for such closure and reclamation
n pursuant to the Equipment Lease dated January 30, 1960 between Squaw
: Alcoa, as amended;

ıtes To carry on any other activities necessary or incidental to the foregoing.
eek shall not engage in any other business or activity without the written
.t of the parties.

ome,

ARTICLE II

CONDUCT OF THE BUSINESS

Section 2.1. Responsibilities of Squaw Creek. Squaw Creek shall, except as
:d by Section 2.2 hereof and subject to Section 1.3:

(a) Purchase, construct, lease or otherwise acquire all property and assets
k ·ed to carry on Squaw Creek's business;

(b) Pay all of Squaw Creek's expenses, including but not limited to:

(1) Mine office expenses;

(2) Development expenses in installing or operating any surface mine in the North 400 Area and the South Field, if any;

(3) Costs of mining, processing, selling and delivering coal from any Squaw Creek mine including, but not limited to, the salaries of the mine superintendent, the resident engineer, their assistants, subordinates and clerks;

(4) Taxes on its property or operations, except taxes on net income, which shall be paid by each party individually;

(5) Expenses of maintaining capital property and assets, which shall be maintained in such manner as to insure optimum performance and maximum life, in accordance with generally accepted standards for preventive maintenance;

(6) Costs of insurance, it being agreed that all property shall be insured against fire, windstorm and other casualty, and that Squaw Creek shall be insured against liability arising from its operations and activities, all in reasonable amounts, in accordance with good practice in the coal mining industry, all insurance to be with responsible insurance companies;

(7) Costs of maintaining mines in standby status during periods of suspension of mining operations.

Section 2.2. Responsibilities of Peabody.

(a) Peabody, with its own employees (who shall not thereby become Squaw Creek's employees) and at its own cost and expense, shall be responsible for:

(1) All administration, general supervision, management and technical assistance;

(2) All of the purchasing (except purchases which Alcoa has advised Peabody in advance can, in Alcoa's opinion, be made more advantageously by Alcoa);

(3) Keeping all books and records and doing all accounting work; and

(4) Furnishing all general engineering.

(b) Peabody shall carry out its responsibilities listed above in such a manner as to provide efficient and economical planning, construction, development and conducting

of the mining operations, equal in all respects to the like services performed by Peabody's general offices for the mines owned by it or its affiliates.

(c) All costs associated with the North 400 Area incurred after January 1, 1996, including without limitation exploration, development, mining and reclamation costs, shall not be included in Squaw Creek's Total Budgeted Costs. After the cessation of mining operations in the South Field (estimated date of completion is July 31, 1996), the Total Budgeted Costs will only include those costs associated with the closure and reclamation, including without limitation administrative costs related thereto, for the Non-North 400 Area. Except as otherwise provided in this Agreement, Squaw Creek shall pay Peabody, as an allowance for Peabody's costs and expenses incurred in carrying out its responsibilities listed above an amount equal to four and nine-tenths percent (4.9%) of Squaw Creek's Total Budgeted Cost for each six month period during the term hereof (hereinafter referred to as "Management Fee"). Squaw Creek shall pay Peabody one sixth of the Management Fee each month.

(d) In the event that deliveries of coal by Squaw Creek are suspended for any period, Squaw Creek shall continue to pay Peabody the Management Fee and the parties shall distribute any profit or loss as provided in Article IV, except for any profits or losses generated pursuant to the development, mining and reclamation of the North 400 Area.

(e) After January 1, 1996, Peabody shall be solely responsible for the development of and shall be liable for all costs of exploring, developing and mining of the North 400 Area, including Post-Mining Costs defined below, and Alcoa shall have no

liability for any costs associated with the North 400 Area. As used herein, "Post-Mining Costs" shall include all costs necessary to have reclamation bonds released from the North 400 Area and Non-North 400 Area related to disturbances attributable to Squaw Creek's exploration, development and mining operations associated with the North 400 Area. Peabody shall indemnify and hold Squaw Creek and Alcoa harmless with respect to all costs and liability relating to mining the North 400 Area. Notwithstanding the generality of the foregoing, said liabilities do not include the liabilities identified in Section 2.3(c) with respect to United Mine Workers of America ("UMWA") represented employees who work in the North 400 Area. On or upon the earlier of the commencement of coal deliveries from the North 400 Area or August 1, 1996 (the "Transfer Date"), all spare parts and supplies, except for all components and spare parts of the 1360 Dragline, at the Squaw Creek Mine on the Transfer Date shall be considered the assets of Alcoa, the Joint Venture Partner. Any use or consumption of the same in the mining and reclaiming of the North 400 Area shall be for Peabody's account. After the Transfer Date, any book loss resulting from the disposal of any obsolete or excess parts and supplies inventories shall be for Alcoa's account. Peabody will not dispose of nor replenish any such inventories without Alcoa's consent, except for replenishment of items customarily consumed in the ordinary course of mining. During the period in which Squaw Creek mines the North 400 Area, the actual out-of-pocket costs paid by Squaw Creek relating to Squaw Creek's retiree health care benefit costs for retiree health care benefit services shall be borne by Peabody.

(f) The parties anticipate that deliveries of coal from the North 400 Area will commence on or about August 1, 1996 and that the mining of the surface coal reserves in

the North 400 Area will be completed on or about December 31, 1997. During the period of time that coal is mined and sold from the North 400 Area, Peabody will receive 100% of the profits and be responsible for 100% of the losses from the mining activities in the North 400 Area. On the Transfer Date, Peabody shall assume liability for the retiree health care benefit costs for retiree health care benefit services received by the present and former salaried employees of Peabody located at the Squaw Creek Mine. Peabody shall assume liability for all applicable severance payments due salaried employees of Peabody located at the Squaw Creek Mine as of January 31, 1996 and all workers' compensation, occupational disease and black lung liabilities for such employees as of the Transfer Date. Attached hereto, and made a part hereof, as Exhibit B, is a listing prepared by Peabody that Peabody warrants is accurate and comprehensive of the current (as of January 31, 1996) and retired salaried employees of Peabody located at the Squaw Creek Mine for which Peabody assumes all liability. Peabody shall not receive the 4.9% management fee, referenced in Section 2.2 (c) hereof or any other compensation, for any cost associated with the payment of retiree health care benefits, severance and other liabilities referenced in this Section 2.2(f) on or after the Transfer Date. Peabody shall indemnify and hold Squaw Creek and Alcoa harmless with respect to all costs associated with the application of Financial Accounting Standard 106 as it applies to salaried employees of Peabody located at Squaw Creek.

(g) Subject to the provisions of Section 2.2(f), Peabody shall continue to manage the mining activities at all areas of the Squaw Creek Mine until cessation of coal deliveries pursuant to the Coal Supply Agreement between Squaw Creek and Alcoa

Generating Corporation ("AGC") dated January 30, 1960, as amended (hereinafter referred to as "Coal Supply Agreement"), which is expected to be on or about December 31, 1997. Except as otherwise provided in this Agreement, Peabody shall, in addition, manage the final reclamation and mine closing activities for the Non-North 400 Area and the administration of Squaw Creek's retiree health care benefits, severance, workers' compensation, occupational disease and black lung obligations to current and former UMWA represented employees of Squaw Creek. As of the Transfer Date, Peabody shall manage the aforementioned activities at the Non-North 400 Area on an actual cost reimbursement basis in accordance with the terms of this Agreement, plus the 4.9% management fee described in Section 2.2(c) and 2.3(d).

(h) To clarify the parties' intent with respect to the North 400 Area, it is stipulated that the development, mining and reclamation work in the North 400 Area will be conducted by Squaw Creek using Squaw Creek's union work force and equipment, but that Peabody shall manage such work and shall be responsible for all of the costs incurred by Squaw Creek in performing such work identified in Section 2.2(e).

Section 2.3. Responsibilities of Alcoa.

(a) Alcoa shall cause to be leased to Squaw Creek coal reserves on such terms as set forth in the Coal Mining Lease and Coal Mining Sublease between Alcoa Fuels, Inc. (formerly Alcoa Properties, Inc.) and Squaw Creek, each dated January 1, 1960, as amended.

(b) Alcoa shall lease or cause to be leased to Squaw Creek certain equipment, machinery and facilities, on such terms as set forth in the Equipment Lease between Alcoa and Squaw Creek dated January 1, 1960, as amended.

(c) Except for liabilities and the out-of-pocket retiree health care benefit costs associated with the North 400 Area as provided in Section 2.2 and except as provided in Section 2.3(e), Alcoa will be responsible and assume all liability for (1) retiree health care benefits of Squaw Creek's past and present work force represented by the UMWA; (2) all costs associated with severance payments to UMWA represented employees after the date of this Amendment; (3) all the liability under present and future laws and labor agreements affecting the past and present work force represented by the UMWA, including workers' compensation, occupational disease and black lung liabilities; (4) all costs associated with obligations under the UMWA 1950 Pension Plan and Trust, UMWA 1974 Pension Plan and Trust, the UMWA 1993 Benefit Plan and Trust, the UMWA-BCOA Labor Management Positive Change Process Fund, the UMWA Cash Deferred Savings Plan of 1988, the Combined Fund, the 1992 Plan, the health and other non-pension benefits plan established pursuant to Article XX(c)(3)(i) of the 1993 Wage Agreement, and the UMWA-BCOA Training and Education Fund (collectively the "Plans"); and (5) all costs associated with the final reclamation and mine closing expenses with respect to the lands mined by Squaw Creek. Alcoa shall cause AGC, its wholly-owned subsidiary, to assume all liability for such final reclamation and mine closure expenses. Alcoa shall remain liable for any obligation for current but unpaid and future contributions or benefits regarding UMWA represented Squaw Creek employees to or under the Plans and will

indemnify and hold Peabody and Squaw Creek harmless with respect to all costs and liability arising under this Section 2.3(c).

(d) Squaw Creek shall invoice Alcoa, or its designated subsidiary, on a monthly basis for the costs referenced in Section 2.3(c) hereof as those costs are paid or incurred and verified. In addition, Alcoa shall remit to Peabody its management fee, referenced in Section 2.2(c) hereof, of 4.9% of such costs, in compensation to Peabody for rendering such service. The parties agree that Peabody shall only be entitled to a management fee of 4.9% of the costs paid or incurred and verified, as its sole compensation for administering the activities referenced in Section 2.3(c). At any time after the completion of final reclamation of the North 400 Area, Alcoa may, at its sole option, retain an independent third party to manage Squaw Creek's UMWA retiree health care benefits, severance, workers' compensation, occupational disease and/or black lung programs and, in such event, Peabody shall no longer be responsible for any matters relating thereto nor receive a management fee of 4.9% of these costs. In the event Alcoa retains an independent third party to manage Squaw Creek's obligations listed in this Section 2.3(d), Alcoa shall indemnify and hold Peabody and Squaw Creek harmless with respect to all costs and liability arising under this Section 2.3(d).

(e) Reference is hereby made to the 1974 UMWA Pension Plan (the "1974 Plan"). In the event the Trustees, as that term is used in the 1974 Plan, determine that Squaw Creek has incurred a withdrawal liability to the 1974 Plan, Alcoa shall pay, and assume the liability for, 80% of such costs and withdrawal liability and Peabody shall pay, and assume the liability for, 20% of such costs and withdrawal liability. Squaw

Creek shall be obligated to pursue any appeal of the Trustees' decision available to it should either Alcoa or Peabody make a written request for Squaw Creek to do so.

(f) Upon the termination of this Agreement, as more particularly described in Article V hereof, Alcoa shall assume Squaw Creek's retiree health care benefits, federal black lung and occupational disease liabilities arising out of the Combined Fund, the 1992 Plan, and all other liabilities and severance obligations to Squaw Creek's former UMWA represented employees. Unless otherwise directed by Alcoa pursuant to Section 2.3(d), Peabody shall administer Squaw Creek's UMWA retiree health care benefits, severance, workers' compensation, occupational disease and/or federal black lung obligations. Alcoa will pay Peabody or its agent, the management fee of 4.9% of such retiree health care benefits, severance, workers compensation, occupational disease and/or federal black lung obligation costs.

Section 2.4. Management.

(a) Subject to the limitations hereinafter and hereinbefore set forth, Peabody shall manage and be in full charge of the completion of the mining operations, the preparation of all plans, specifications, estimates and schedules, the selection and purchase or lease of all machines, equipment and facilities required to complete mining activities in the South Field and reclamation and mine closure activities in the Non North 400 Area subject to the approval of Alcoa, which shall not be unreasonably withheld or delayed. Subject to the same limitations set forth above, Peabody shall also manage and be in full charge of all other business affairs of Squaw Creek. Peabody shall perform its

responsibilities under this Agreement in a good and sufficient manner in accordance with sound mining practices. Failure so to do shall be deemed a failure by Peabody to perform its obligations hereunder.

(b) Peabody shall be subject to the following limitations:

(1) Plans for the completion of surface mining in the South Field and all Non-North 400 reclamation and mine closure activities including all contracts for the purchase or lease of machinery or equipment related thereto, shall be approved by Alcoa before any commitment is made by Squaw Creek with respect thereto;

(2) Peabody shall not mortgage, pledge or otherwise encumber any property or assets owned or used by Squaw Creek, or confess any judgment against Squaw Creek, without the consent of Alcoa;

(3) No sale or agreement for the sale of coal shall be made without the written agreement of Alcoa and Peabody; provided, however, that the foregoing shall not prevent Squaw Creek from disposing of coal rejected by any customer or from making sales of coal at the mine to Squaw Creek employees and their families for their own consumption;

(4) Peabody shall secure Alcoa's written approval before taking any steps resulting in any substantial change in the operation or policies of Squaw Creek's affairs or business;

(5) The mine superintendent or other person in charge of mining operations shall be selected by Peabody, but if he or any successor is not satisfactory to Alcoa, he shall, at Alcoa's request, be replaced by Peabody;

(6) Except for the North 400 Area, Alcoa shall have the right to designate all elections to be made by or for Squaw Creek under the provisions of the Internal Revenue Code of 1986, or under any superseding Revenue Code or federal income tax legislation provided, however, that no such election shall be made by Alcoa without prior consultation with respect thereto with Peabody.

(c) In order to promote more effective communication by providing a forum for the joint venturers to interchange on matters of mutual concern, the parties agree to establish a Working Committee with three representatives from each venturer which will meet at least once per quarter. While it is recognized that the matters to be discussed by the Working Committee will vary from time to time, it is the intent of the parties that the following matters be periodically reviewed as appropriate (except as they may relate to the North 400 Area):

(1) Capital needs and operating budgets;

(2) Compliance with governmental regulations;

(3) Organizational structure, employment levels, and anticipated changes;

(4) Productivity performance of various mining functions;

(5) Major variances from established production and cost budgets; and

(6) Major non-repetitive expenditures.

ARTICLE III

ACCOUNTING

Section 3.1. Books and Records. There shall be kept for Squaw Creek accurate and complete books and records, on the accrual basis, in accordance with sound and generally accepted accounting principles (which, having been adopted, shall not be changed without mutual consent), showing all costs, expenditures, sales, receipts, assets and liabilities, and profits and losses, and all other records necessary, convenient or incidental to recording Squaw Creek's business and affairs. Subject to Alcoa's elections pursuant to Section 2.4(b) (6), the books shall be kept in such a manner as to produce as nearly as practicable a uniform cost per ton of coal mined. Squaw Creek's fiscal year shall be the calendar year.

Section 3.2. Reports. Promptly after the end of each month there shall be prepared and delivered to each party a statement showing the results of operations during such month. Promptly after the end of each fiscal year, there shall be prepared a balance sheet showing Squaw Creek's assets and liabilities at the close of the year and a

statement of income showing the results of operations for the year. Squaw Creek shall have an audit of its books made as soon as practicable after the close of each year by such nationally recognized firm of public accountants as shall be mutually agreed to from year to year, and shall furnish each party copies of such balance sheet and statement of income, together with the certificate of the public accountants covering the results of such audit.

Section 3.3. Bank Accounts. Squaw Creek's paid-in capital, which is received in cash, all receipts from the sales of coal and all other receipts and income of Squaw Creek shall be deposited in such banks as the parties shall agree upon. Withdrawals from said accounts shall be made by signatures of such person or persons as shall be authorized by the parties.

ARTICLE IV

DISTRIBUTIONS

Section 4.1. Division of Profit or Loss.

(a) Except for profits and losses generated from the North 400 Area, Squaw Creek's net income or loss (excluding the "Incremental Profit" as provided in Section 4.1(d)) as shown by the statement of income for the "Budget Periods," prepared pursuant to Section 3.2, shall be divided between the parties as follows:

Alcoa	60%
Peabody	40%

(b) Except for percentage depletion deductions generated from the North 400 Area which shall apply 100 percent to Peabody, in computing the taxable income of each party for income tax purposes, the annual deduction for percentage depletion allowed Squaw Creek under income tax laws with respect to the mining operation shall be divided between the parties as follows:

(1) Peabody shall be entitled to an amount thereof equal to its share of the net profits of Squaw Creek from mining for such year, multiplied by the limitation percentage applicable to such year as specified in Section 613(a) of the Internal Revenue Code of 1986 or in any similar federal income tax provisions generally applicable to percentage depletion allowances on coal that may be enacted as an amendment to or in lieu thereof;

(2) Alcoa shall be entitled to the remaining amount thereof, if any.

Except as thus provided for percentage depletion, taxable income of the Joint Venture shall be divided in accordance with the percentages stated in Sections 2.2(f) and 4.1(a) above.

(c) This Joint Venture is intended to and shall constitute a "partnership" for federal income tax purposes within the meaning of Section 761(a) of the Internal Revenue Code of 1986. It is agreed that the taxable income for federal income tax purposes of Squaw Creek and of the parties arising out of the business conducted by the Joint Venture shall be determined under the provisions of Subchapter K of the Internal Revenue Code of 1986 relating to taxation of partners and partnerships, or by superseding legislation enacted in lieu thereof.

(d) Except for the North 400 Area, whenever Squaw Creek shall surface mine and deliver coal from the South Field to AGC pursuant to the Coal Supply Agreement at a lower cost per ton than the "Adjusted Budgeted Cost Per Ton," the parties agree to share in the incremental profit resulting from such variance (hereinafter referred to as "Incremental Profit") in a different proportion than the proportion set forth in paragraph (a) above. The division of such Incremental Profit shall be computed as follows:

(1) By February 1 and August 1 of each year during the term hereof, Peabody and Alcoa shall compare the "Adjusted Budgeted Cost Per Ton" with Squaw Creek's actual cost per ton of producing and delivering the coal during the preceding six month period ending December 31 and June 30, respectively. If the "Actual Cost Per Ton" is less than the "Adjusted Budgeted Cost Per Ton," Squaw Creek's Incremental Profit shall be divided between the parties as follows:

Alcoa	40%
Peabody	60%

(2) The Incremental Profit shall be calculated as follows:

(i) Subtract Squaw Creek's "Actual Cost Per Ton" for coal delivered to and accepted by AGC during the six month period from the "Adjusted Budgeted Cost Per Ton."

(ii) Multiply the difference (if the difference is a positive number) by the tons sold to AGC during the six month period.

(iii) The product thereof is the Incremental Profit for such period.

(3) Notwithstanding Section 4.2 hereof, each party shall be entitled, at any time, to take down any or all of its share of the Incremental Profit.

(4) The parties agree to adjust the annual deduction for percentage depletion allowed Squaw Creek under income tax laws as provided in paragraph (b) hereof to reflect each party's appropriate share of the Incremental Profit.

(5) The following example, using assumed data, illustrates the operation of this paragraph (d). All numbers have been rounded off to the nearest cent for purposes of this example.

ASSUMPTIONS (for six month period)

$18.26	Adjusted Budgeted Cost Per Ton
18.22	Actual Cost Per Ton
$ 0.04	

900,000 Tons Sold to AGC x $0.04 = $36,000 Incremental Profit

DISTRIBUTION OF INCREMENTAL PROFIT

$36,000	Incremental Profit
x .60	
$21,600	Peabody's Share of Incremental Profit

$36,000	Incremental Profit
x .40	
$14,400	Alcoa's Share of Incremental Profit

Section 4.2. Withdrawals.

Except for obligations generated by the adoption and implementation of Financial Accounting Standard 106 and reclamation requirements, after the annual audit made in accordance with Section 3.2, the parties shall retain in Squaw Creek sufficient net income

reasonably to enable it to pay its obligations, and shall take down the remainder. During any year, the parties may make withdrawals on an interim basis, per month or per quarter, in such amounts as they may mutually agree, against the annual distribution of net income to be made pursuant to the annual audit.

ARTICLE V

TERMINATION

Section 5.1. Events of Termination. This Joint Venture shall terminate:

(a) After completion of surface mining activities in the North 400 area, which is expected to occur on or about December 31, 1997, at which time Squaw Creek will cease production and sale of coal. Squaw Creek will be dissolved within ninety (90) days after the release of all reclamation bonds and permits by the State of Indiana and other applicable governmental authority on all lands mined or disturbed within the boundaries of the Squaw Creek Mine, as shown on the attached Exhibit A or as otherwise mutually agreed to by the parties.

(b) Upon notice by either party if the other party shall fail to perform its obligations hereunder and such failure shall continue for a period of at least three months after written notice thereof from the party claiming such default; provided, however, that in case of a dispute as to whether or not any such default exists, the time within which

the party in default may cure such default, as aforesaid, shall not commence to run until it shall have been finally adjudicated by a court of last resort having jurisdiction or otherwise that such party is in default. The party desiring to terminate under this provision shall, after the expiration of the three month period, give three months' written notice of its intention to terminate. If Peabody shall so act or fail to act under the Joint Venture, or shall so fail to use its best efforts that, judged by objective standards, Alcoa shall thereby be reasonably dissatisfied with the manner of operation or the results achieved by the Joint Venture, such action or failure to act or such failure to use best efforts shall be deemed to be a failure of Peabody to perform its obligations under the Joint Venture so as to justify termination by Alcoa under the provisions hereof;

(c) By mutual agreement of the parties.

Section 5.2. Distributions Upon Termination. Upon termination of the Joint Venture, a final audit shall be made by the certified public accountants mentioned in Section 3.2, and all of Squaw Creek's property and assets shall be distributed as follows:

(a) All of Squaw Creek's leases terminate; and leases previously approved by Alcoa which are not terminated shall be transferred to and assumed by Alcoa;

(b) All remaining property and assets, if any, other than cash, shall be sold or collected and turned into cash. Alcoa shall have the right, at its option, to buy all (but not less than all) such property at its then net book value;

(c) Except as otherwise provided in this Agreement, all of Squaw Creek's debts and obligations, shall be paid in full;

(d) All undistributed net income, including amounts retained in Squaw Creek under Section 4.2, shall be distributed in cash to the parties;

(e) The remaining cash shall be distributed to the parties in proportion to their respective capital accounts;

(f) Peabody shall retain the liabilities associated with mining the North 400 Area (other than retiree health care benefits for the UMWA represented workforce) and the salaried employees of Peabody located at Squaw Creek as set forth in Section 2.2 hereof; and

(g) Alcoa shall retain the UMWA liabilities listed in Section 2.3 hereof.

ARTICLE VI

GENERAL PROVISIONS

Section 6.1. Inspection. Each party or its authorized representatives may examine any of Squaw Creek's books or records, or any of the mines or equipment, at any time, and without notice.

Section 6.2. Integration. This Agreement is the entire agreement between the parties with respect to the subject matter hereof, and no alteration, modification, or interpretation hereof shall be binding unless in writing and signed by both parties.

Section 6.3. Interpretation. This Agreement shall be interpreted and construed in accordance with the laws of the State of Indiana. The titles of the Articles and Sections in this Agreement have been inserted as a matter of convenience of reference only and shall not control or affect the meaning or construction of any of the terms and provisions hereof.

Section 6.4. Arbitration.

(a) During the term of this Agreement, if any dispute concerning the interpretation or administration of this Agreement arises between the parties and such dispute cannot be resolved by the parties within 45 calendar days, then, upon written request of any party, the dispute shall be submitted to arbitration (regardless of whether any party has previously instituted action in court). The written request shall specifically identify the issues to be arbitrated. Within twenty (20) calendar days of receipt of the arbitration request, the receiving party may submit a counter statement of the issues. For arbitration, the parties may agree upon a sole disinterested arbitrator, or if a sole disinterested arbitrator cannot be agreed upon, a panel of three arbitrators shall be named, one arbitrator to be selected by Alcoa, one to be selected by Peabody, and one neutral disinterested arbitrator to be selected jointly by the other two arbitrators. Each party shall select its arbitrator within 30 calendar days of the date of said written request.

If the arbitrators previously appointed by Alcoa and Peabody cannot agree upon the third arbitrator within 15 business days of their appointment, then the parties may apply to the American Arbitration Association for appointment of the third arbitrator.

(b) Decisions of the arbitration panel shall be final and binding, and each party hereby consents to the entry of judgment by an court having jurisdiction in the matter in accordance with the decision of the arbitration panel.

(c) The arbitrator(s) shall have no power to modify any of the provisions hereof, and their jurisdiction is limited accordingly. The decision of the arbitrator(s) shall be rendered within 90 days after selection of the arbitrator(s) is completed.

(d) Discovery shall be conducted as deemed appropriate by the arbitrator(s), and the Federal Rules of Civil Procedure and Federal Rules of Evidence shall apply unless otherwise agreed by the parties.

(e) Each party shall be responsible for the expenses incurred by the arbitrator appointed by such party, and the expenses, fees and cost of the third arbitrator shall be borne equally by the parties. In the event that a single arbitrator is selected, the expenses of that arbitrator will be borne equally by the parties.

(f) It is the intent of the parties that an arbitrator, pursuant to arbitration proceedings described herein, will be precluded from awarding punitive and/or exemplary damages against either party to this Agreement.

Section 6.5. Terms. Except as otherwise provided for in this Agreement, the terms "Adjusted Budgeted Cost Per Ton," "Actual Cost Per Ton," "Budget Period," and "Total Budgeted Cost" shall have the same meaning as those terms are defined in the Coal Supply Agreement.

Section 6.6. Successors and Assigns. If Peabody, by merger, consolidation, or otherwise, conveys all or substantially all of its property and assets to a successor, or if Alcoa, or any subsidiary, by merger, consolidation or otherwise, conveys all or substantially all of its aluminum smelting plant in Warrick County, Indiana, to a successor, and in connection therewith such party assigns all of its right, title and interest in this Agreement to such successor, the other party shall consent to the assignment to such successor or enter into a new Joint Venture Agreement with such successor on exactly the same terms and conditions as contained herein, whichever is required by applicable law to make the assignment effective. Otherwise, this Agreement is not assignable by either party without the written consent of the other. No assignment hereof shall be effective unless and until the assignee shall assume, in writing and to the extent of such assignment, the obligations of the assignor.

Section 6.7. Notices. All notices under this Agreement shall be in writing, and if to Alcoa, shall be sufficient in all respects if delivered in person to the Power Manager of its Warrick Operations or sent by registered or certified mail to Alcoa at P.O. Box 10, Newburgh, Indiana 47629, Attention: Power Manager, or at any subsequent address of which Alcoa may notify Peabody in writing; and if to Peabody, shall be sufficient in all respects if delivered in person to the President or any Vice President of Peabody or sent by registered or certified mail to Peabody at 1951 Barrett Court, Henderson, Kentucky 42420, or at any subsequent address of which Peabody may notify Alcoa in writing.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Joint Venture Agreement in duplicate, as of the date first above written.

ALUMINUM COMPANY OF AMERICA

By: _____
Its: PRES. ALCOA PRIMARY METALS

PEABODY COAL COMPANY

By: _____
Its: President