

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 1, 1997

Arch Coal, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-13105 (Commission File Number)	43-0921172 (I.R.S. Employer Identification No.)
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CityPlace One, Suite 300, Creve Coeur, Missouri (Address of principal executive offices)	63141 (Zip code)
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Registrant's telephone number, including area code:(314) 994-2700

Item 1. Changes in Control of Registrant

Reference is made to the responses set forth in Items 2 and 5 of this Current Report on Form 8-K, which are incorporated by reference herein. In addition, pursuant to the Merger Agreement referred to in the response to Item 2, immediately prior to the effective time of the Merger referred to in the response to Item 2, the Board of Directors of Arch Coal, Inc. (the "Company") became comprised of Messrs. John R. Hall (Chairman), James R. Boyd, Robert A. Charpie, Paul W. Chellgren, Thomas L. Feazell, Juan Antonio Ferrando, Robert L. Hintz, Douglas H. Hunt, Steven F. Leer, Thomas Marshall, James L. Parker, J. Marvin Quin and Ronald Eugene Samples. Messrs. Hall, Boyd, Hunt, Leer, Parker and Samples were members of the Board of Directors of the Company prior to the Merger and Messrs. Charpie, Chellgren, Feazell, Ferrando, Hintz, Marshall and Quin were members of the Board of Directors of Ashland Coal, Inc. ("Ashland Coal") prior to the Merger. Messrs. Hall, Boyd, Chellgren, Feazell and Quin are current or former executive officers of Ashland Inc. Mr. Hunt is a beneficiary of one of the trusts included among various trusts for the benefit of descendants of H. L. and Lyda Hunt and various corporations owned by trusts for the benefit of descendants of H. L. and Lyda Hunt (collectively, the "Hunt Entities") and Mr. Parker is a trustee of certain trusts, and an officer and director of a corporation, included among the Hunt Entities. Mr. Ferrando is an executive officer of Carboex International, Ltd. ("Carboex").

Item 2. Acquisition or Disposition of Assets.

On July 1, 1997, pursuant to an Agreement and Plan of Merger dated as of April 4, 1997 (the "Merger Agreement") among the Company, AMC Merger Corporation and Ashland Coal, AMC Merger Corporation was merged with and into Ashland Coal, whereupon Ashland Coal became a wholly-owned subsidiary of the Company (the "Merger").

Pursuant to the Merger Agreement, at the effective time of the

Merger, each outstanding share of Common Stock, par value \$.01 per share, of Ashland Coal was converted into the right to receive one share of Common Stock, par value \$.01 per share, of the Company ("Company Common Stock"), and each share of Class B Preferred Stock and Class C Preferred Stock, par value \$100 per share, of Ashland Coal

was converted into the right to receive 20,500 shares of Company Common Stock. The foregoing conversion ratios were determined on the basis of arms' length negotiations.

The Company is engaged in mining, processing, marketing and transporting bituminous coal in the domestic steam market. Prior to the Merger, the Company operated 17 surface, underground and auger mines in the Appalachian, Midwestern and Western coal fields from which it produced 26.9 million tons of coal in 1996. At December 31, 1996, the Company controlled approximately one billion tons of proven and probable low-sulfur coal reserves, 865 million tons of which were located in the Appalachian coal fields in the eastern United States.

Prior to the Merger, Ashland Coal was engaged in the mining, processing and marketing of low-sulfur bituminous coal primarily in the eastern United States. Its independent operating subsidiaries included Coal-Mac, Inc., Hobet Mining, Inc., Mingo Logan Coal Company and Tri-State Terminals, Inc. Ashland Coal produced 20.5 million tons of coal in 1996 and at December 31, 1996 controlled approximately 615 million tons of proven and probable low-sulfur coal reserves in southern West Virginia and eastern Kentucky.

Item 5. Other Events.

Subject to certain conditions, the Private Securities Litigation Reform Act of 1995 provides a safe harbor from liability in any private action that is based on an alleged untrue statement of a material fact or alleged omission of a material fact necessary to make the statement not misleading. To the extent that the Company or its representatives make oral forward-looking statements, following are important factors that could cause actual results to differ materially from those in such forward-looking statements.

Competition

The coal industry is highly competitive and is affected by many factors beyond the Company's control. Demand for coal and the prices that the Company will be able to obtain for its coal are closely linked to coal consumption patterns of the domestic electric utility industry, which has accounted for approximately 90% of domestic coal consumption in recent years. These coal consumption patterns are influenced by the demand for electricity, governmental regulation, technological developments and the location, availability and price of competing sources of coal, alternative fuels such as natural gas, oil and nuclear, and alternative energy sources such as hydroelectric power. In recent years there has been excess coal production capacity in the United States as a result of increased development of large surface mining operations, particularly in the western United States, and more efficient mining equipment and techniques. Competition resulting from excess capacity encourages producers to reduce prices and to pass productivity gains through to customers. Demand for the Company's low-sulfur coal and the prices that the Company will be able to obtain for it will also be affected by the price and availability of high-sulfur coal, which can be marketed in tandem with emissions allowances in order to meet federal Clean Air Act requirements.

Electric utility deregulation is expected to provide incentives to utilities to minimize their fuel costs and is believed to have caused electric utilities to be more aggressive in negotiating prices with coal suppliers. To the extent utility deregulation affects the Company's customers, some aspects of deregulation may adversely affect the Company's business and operating results.

Potential Fluctuations in Operating Results

The Company may experience fluctuations in operating results in the future, both on an annual and quarterly basis, as a result of one or more factors, including expiration or termination of or sales price redeterminations or suspensions of deliveries under coal supply agreements, disruption of transportation services, changes in mine operating conditions, changes in laws or regulations, work stoppages or other labor difficulties, competitive and overall coal market conditions, and general economic conditions. Such fluctuations could be significant.

The Company's mining operations are subject to factors beyond its control that can negatively or positively affect the level of production and hence the cost of mining at particular mines for varying lengths of time. These factors include weather conditions, equipment repair requirements, variations in coal seam thickness, amount of overburden, rock and other natural materials, and other surface or subsurface conditions. Such production factors frequently result in significant fluctuations in operating results.

Environmental and Regulatory Matters

Governmental authorities regulate the coal mining industry on matters as diverse as employee health and safety, air quality standards, water pollution, groundwater quality and availability, plant and wildlife protection, the reclamation and restoration of mining properties, the discharge of materials into the environment and surface subsidence from underground mining. These regulations have had and will continue to have a significant effect on the Company's mining costs and, thus, its competitive position vis a vis other coal producers and providers of alternative energy sources. Mining operations also require numerous governmental permits or approvals, the availability and timing of which can affect the efficiency of operations and mining costs. In addition, significant legislation mandates certain benefits for certain retired coal miners represented by the United Mine Workers of America ("UMWA").

New legislation, regulations or orders may be adopted or become effective which may adversely affect the Company's mining operations or cost structure or the ability of the Company's customers to use coal. New legislation, regulations or orders may also require the Company or its customers to incur increased costs or to change operations significantly. These factors could have a material adverse effect on the Company's business and results of operations.

Reliance on and Terms of Long-Term Coal Supply Contracts

The Company sells a substantial portion of its coal production pursuant to long-term supply contracts, which will significantly affect the stability and profitability of operations. Most of the long-term supply contracts currently in effect allow the Company to sell coal at a higher price than the price at which such coal could be sold in the spot market. The loss of long-term contracts, whether as a result of expiration, termination, suspension of performance or otherwise, could have a material adverse effect on the Company's results of operations and business. Such effect would be particularly adverse with respect to the loss of long-term contracts that permit the Company to sell coal at prices significantly higher than current market prices. The Company or its operating subsidiaries are currently party to two such contracts, one of which expires in 2012 and provides for the delivery of approximately 1.3 million tons of compliance coal annually, and the other of which expires in 2003 and provides for the delivery of approximately 400,000 tons of low-sulfur coal annually.

The Company's long-term coal supply contracts contain price adjustment provisions which permit a periodic increase or decrease in the contract price to reflect increases and decreases in production costs, changes in specified price indices or items such as taxes or royalties, and contain price reopener provisions, which provide for an upward or downward adjustment in the contract price based on market factors. The contracts also typically include stringent minimum and maximum coal quality specifications and penalty or termination provisions for failure to meet such specifications, as well as force majeure provisions allowing suspension of performance or termination by the parties during the duration of certain events beyond the control of the affected party, including changes in or the effectiveness of legislation or regulations affecting such party. If the parties to any long-term contracts with the Company were to modify, suspend or terminate those contracts, the Company could be adversely affected to the extent that it is unable to find alternative customers for the affected coal production at the same level of profitability.

From time to time, disputes with customers may arise under long-term contracts relating to, among other things, coal quality, pricing and quantity and applicability of certain contract terms. The Company may thus become involved in arbitration and legal proceedings regarding its long-term contracts. There can be no assurance that the Company will be able to resolve such disputes in a satisfactory manner.

Dependence on Certain Customers

During 1996, combined coal sales by the Company and Ashland Coal to affiliates of The Southern Company and affiliates of American Electric Power accounted for approximately 14.6% and 13.1%, respectively, of pro forma combined revenues from coal sales for such period. The loss of such customers would have a material adverse effect on the Company.

Reserve Degradation and Depletion

The Company's profitability will be substantially dependent upon its ability to replace depleted reserves with new reserves that can be mined at competitive costs. There can be no assurance that replacement reserves will be available when required or whether such replacement reserves can be mined at costs comparable to those characteristic of the depleting mines. Exhaustion of reserves at particular mines can also have an adverse effect on operating results that is disproportionate to the percentage of overall production represented by the production of such mines.

The reserves at the Company's Arch of Kentucky Mine No. 37 capable of being mined by its longwall operation are expected to be depleted in the third quarter of 1997. For the year ended December 31, 1996, Mine No. 37 produced 4.5 million tons of coal (from both longwall and continuous miner sections) which accounted for \$20.8 million or 37.1% of the Company's operating income and sales from the mine accounted for 16.4% of the revenues of the Company in 1996. After exhaustion of the longwall reserves, the decrease in operating profit will be mitigated to some degree by the continued operation of two continuous miner sections and by the potential development of an underground mine in the Darby seam that is in close proximity to the Cave Branch Preparation Plant currently used to process Mine No. 37 coal.

Transportation

The coal industry depends on rail, trucking and barge transportation to deliver shipments of coal to customers. Disruption of these transportation services could temporarily impair the Company's ability to supply coal to its customers and thus adversely affect the Company's business and operating results. In addition, transportation costs are a significant component of the total cost of supplying coal to customers and can affect significantly a coal producer's competitive position and profitability. Increases in the Company's transportation costs, or changes in such costs relative to transportation costs incurred by providers of competing coal or of other fuels, could have an adverse effect on the Company's business and operating results.

Reliance on UMWA-Represented Labor

UMWA operations accounted for approximately 56% of the total coal produced by the Company and Ashland Coal in 1996. Certain competitors of the Company employ non-union laborers. Due to higher labor costs and the increased risk of strikes and other work stoppages which may be associated with union operations in the coal industry, non-union competitors may have a competitive advantage where they compete with union operations. The seven-month UMWA strike in 1993 adversely affected the operations of the Company. If any current non-union operations of the Company were to unionize, the Company would incur increased risk of work stoppages, and possibly higher labor costs.

The Bituminous Coal Operators Association ("BCOA") negotiates with the UMWA on behalf of its members. The Company's Apogee Coal Company and Hobet Mining, Inc. subsidiaries are members of the BCOA. The current National Bituminous Coal Wage Agreement (the "1993 NBCWA"), which applies to all of the Company's employees represented by the UMWA, became effective on December 16, 1993 and will expire on August 1, 1998. Wage rates and certain benefits were renegotiated in 1996 for the remainder of the contract. When the 1993 NBCWA expires, no assurance can be given that it will be successfully renegotiated without a work stoppage. In addition to work stoppages which may occur upon termination of a collective bargaining agreement, union operations may experience unauthorized work stoppages or wildcat strikes from time to time.

Control of the Company by Certain Stockholders

Ashland Inc., the Hunt Entities collectively and Carboex currently own approximately 54%, an aggregate of 25%, and 5%, respectively, of the outstanding shares of Company Common Stock. The Restated Certificate of Incorporation of the Company (the "Company Certificate") provides for cumulative voting in the election of directors of the Company. As a result of such provision, and assuming an election of 13 directors and ownership of the percentages of outstanding Company Common Stock referred to above, Ashland Inc. and the Hunt Entities (if the Hunt Entities were to vote their respective shares together) have the power to elect six and three directors of the Company, respectively.

Pursuant to a Stockholders Agreement among the Company, Ashland Inc. and Carboex, the Company has agreed to nominate for election as a director of the Company a person designated by

Carboex, and Ashland Inc. has agreed to vote its shares of Company Common Stock in a manner sufficient to cause the election of such nominee, in each case for so long (subject to earlier termination in certain circumstances) as shares of Company Common Stock owned by Carboex represent at least 63% of the shares of Company Common Stock acquired by Carboex in the Merger. In addition, the Company, for so long as the Hunt Entities have the collective voting power to elect by cumulative voting one or more persons to serve on the Board, has agreed to nominate for election as directors of the Company that number of persons designated by certain of the Hunt Entities that could be elected to the Board by the Hunt Entities by exercise of such cumulative voting power.

The Company Certificate requires the affirmative vote of the holders of at least two-thirds of outstanding Company Common Stock voting thereon to approve a merger or consolidation and certain other fundamental actions involving or affecting control of the Company. The Company Bylaws require the affirmative vote of at least two-thirds of the members of the Board of Directors of the Company in order to declare dividends and to authorize certain other actions. As a consequence of the foregoing ownership structure, Ashland Inc., the Hunt Entities and Carboex, acting together, have the power to direct the affairs of the Company and to control or limit these actions as well.

Inherent Uncertainties Relating to Certain Effects of the Merger

The success of the Merger in enhancing long-term stockholder value will depend, in part, on achieving cost savings and other benefits that could be expected to be realized as a result of the Merger. As in every business combination, achieving such benefits depends on factors that may not be within the control of the Company and require the dedication of management resources, which may temporarily divert full attention from the day-to-day business of the Company. There can be no assurance that the Company will be able to realize such cost savings and other benefits, or do so within any particular period.

Writedowns Related to Duplicate Facilities

The Company believes that significant cost savings and other synergies can be achieved from the Merger. However, realizing these cost savings and synergies may result in the idling or closing of duplicate offices, distribution and production facilities by the Company. Idling or closing facilities of the Company may require significant charges to expense in order to write down the applicable assets to their fair value, less selling costs, if any. Idling or closing facilities of Ashland Coal related to the Merger that require writedown to fair value will be adjusted in the purchase price allocation of

Ashland Coal.

Uncertainty as to Market Price of Company Common Stock

In light of the considerations set forth above, the Company's status as a new public company with a short trading history, and the inherent uncertainty of future market prices of the stock of any public company, there can be no assurance as to the prices at which Company Common Stock will trade in the future. Moreover, factors such as fluctuations in the Company's operating results, general trends affecting the coal industry, broad market fluctuations and general economic and political conditions may have a significant effect on market prices for Company Common Stock.

Shares Eligible for Future Sale

Immediately following the consummation of the Merger, the Company had outstanding 39,591,454 shares of Company Common Stock. A significant number of such shares, including shares held by certain holders of Company Common Stock prior to the Merger, are eligible for sale without restriction under the Securities Act of 1933, as amended (the "Securities Act") in the public market by persons other than affiliates of the Company. Sales of shares by affiliates of Ashland Coal are subject to Rule 145 of the Securities Act (or Rule 144 in the case of such persons who become affiliates of the Company) or as otherwise permitted under the Securities Act. In addition, certain stockholders of the Company have rights to require the Company to register the sale of such holders' shares of Company Common Stock under the Securities Act or, in some cases, to register the sale of shares in other registration statements filed by the Company in respect of sales of shares by it or by others.

Effects of Authorized but Unissued Preferred Stock

Pursuant to the Company Certificate, the Company's authorized capital stock includes 10,000,000 shares of preferred stock, which the Board of Directors (by action of at least two-thirds of its members), without further approval of the stockholders of the Company, is authorized to issue and to determine the rights and preferences of the preferred stock. These rights and preferences could be superior to those of the Company Common Stock. The rights of the holders of Company Common Stock will be subject to, and may be adversely affected by, any future issuance of preferred stock. The issuance of preferred stock could also have the effect of delaying, deferring or preventing a change in control of the Company. The Company has no present plans to issue any shares of preferred stock.

Certain Provisions of the Company Certificate and Company Bylaws

The Company Certificate provides that the Company shall not amend certain provisions of the Company Certificate, nor adopt an agreement or plan of merger or consolidation, authorize the sale, lease or exchange of all or substantially all of property and assets of the Company, or authorize the dissolution of the Company or the distribution of all or substantially all of the assets of the Company, except upon the approval of not less than two-thirds of the outstanding shares of Company Common Stock voting thereon. The Restated and Amended Bylaws of the Company (the "Company Bylaws") provide that there be an affirmative vote of not less than two-thirds of the members of the Board of Directors to amend the supermajority provisions of the Company Bylaws. The Company Bylaws otherwise permit the amendment or repeal of the Company Bylaws upon the affirmative vote of a majority of the Company's Board of Directors.

The Company Bylaws provide that there be an affirmative vote of not less than two-thirds of the members of the Board of Directors to authorize the issuance of more than 1,000,000 shares of Company Common Stock or any shares of preferred stock in any one transaction or series of transactions, to declare a dividend or distribution on any Company stock, to approve the Company's annual budget or operating plan (including any unbudgeted capital expenditure in excess of \$10,000,000), to elect the Company's President, Chief Executive Officer, Chief Financial Officer (if any) or Chief Operating Officer (if any), to adopt a share purchase plan of a nature commonly referred to as a "poison pill," to repurchase or redeem any capital stock of the Company, to appoint members to or dissolve the Executive Committee or to amend the supermajority provisions of the Company Bylaws. The Company Bylaws further provide that in order for nominations or other business to be properly brought before a stockholders' meeting by a stockholder, the stockholder must give timely notice thereof in writing to the Secretary.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) The following consolidated financial statements of Ashland Coal, Inc. and Subsidiaries are filed as part of this Current Report on Form 8-K:

Report of Ernst & Young LLP, Independent Auditors

Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994

Consolidated Balance Sheets at December 31,
1996 and 1995

Consolidated Statements of Stockholders'
Equity for the years ended December 31,
1996, 1995 and 1994

Consolidated Statements of Cash Flows for
the years ended December 31, 1996,
1995 and 1994

Notes to Consolidated Financial Statements

Consolidated Statements of Income for
the three month periods ended March 31,
1997 and 1996

Consolidated Balance Sheet at March 31, 1997

Consolidated Statements of Cash Flows for
the three month periods ended March 31,
1997 and 1996

Notes to Consolidated Financial Statements

(b) The following unaudited pro forma financial information is filed as
part of this Current Report on Form 8-K:

Unaudited Pro Forma Financial Information

Unaudited Pro Forma Combined Balance
Sheet as of March 31, 1997

Notes to Unaudited Pro Forma Combined
Balance Sheet as of March 31, 1997

Unaudited Pro Forma Combined Statement
of Operations for the year ended
December 31, 1996

Notes to Unaudited Pro Forma Combined
Statement of Operations for the
year ended December 31, 1996

Unaudited Pro Forma Combined Statement of
Operations for the three months ended
March 31, 1997

Notes to Unaudited Pro Forma Combined
Statement of Operations for the three
months ended March 31, 1997

(c) The following Exhibits are filed with or incorporated by reference as part of this Current Report on Form 8-K:

Exhibit No. -----	Description -----
2.1	Agreement and Plan of Merger dated April 4, 1997 among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc. (incorporated by reference to Exhibit 2.1 to the Registration Statement of Arch Mineral Corporation on Form S-4, Registration No. 333-28149)
4.1	Credit Agreement dated as of July 1, 1997 by and among Arch Coal, Inc., the banks party thereto, PNC Bank, National Association, as Administrative and Syndication Agent and Morgan Guaranty Trust Company of New York, as Documentation and Syndication Agent.
23.1	Consent of Ernst & Young LLP

Report of Ernst & Young LLP, Independent Auditors

To the Stockholders and Board of Directors
Ashland Coal, Inc.

We have audited the accompanying consolidated balance sheets of Ashland Coal, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ashland Coal, Inc. and subsidiaries at December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Louisville, Kentucky
January 22, 1997

CONSOLIDATED STATEMENTS OF INCOME

Ashland Coal, Inc. and Subsidiaries

	Year Ended December 31,		
	1996	1995	1994
	-----	-----	-----
	(In thousands except earnings per share)		
Revenues:			
Coal sales	\$565,174	\$618,886	\$589,141
Operating revenues	12,030	17,075	21,003
	-----	-----	-----
	577,204	635,961	610,144
Costs and expenses:			
Cost of coal sold	508,960	529,618	510,125
Operating expenses	9,559	10,995	11,543
Selling, general, and administrative expenses	26,864	27,901	33,756
	-----	-----	-----
	545,383	568,514	555,424
	-----	-----	-----
Operating income	31,821	67,447	54,720
Other income (expense):			
Interest income	417	89	366
Interest expense	(17,905)	(20,724)	(22,238)
	-----	-----	-----
Income before income taxes	14,333	46,812	32,848
Income tax expense (benefit)	(2,180)	5,401	628
	-----	-----	-----
Net income	16,513	41,411	32,220
Less preferred stock dividends	2,810	2,810	2,603
	-----	-----	-----
Income applicable to common stock	\$ 13,703	\$ 38,601	\$ 29,617
	=====	=====	=====
Earnings per common share:			
Primary	\$.87	\$ 2.22	\$ 1.72
Fully diluted	\$.86	\$ 2.16	\$ 1.68

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Ashland Coal, Inc. and Subsidiaries

(In thousands)	December 31,	
	1996	1995
	----	----
Assets		
Current assets:		
Cash and cash equivalents	\$ 834	\$ 1,752
Trade accounts receivable	56,743	76,442
Other receivables	6,260	6,890
Inventories	41,394	26,038
Prepaid royalties	17,525	16,622
Deferred income taxes	2,187	3,512
Other	2,177	3,349
	-----	-----
Total current assets	127,120	134,605
Other assets:		
Prepaid royalties	61,040	61,979
Coal supply agreements	27,712	31,498
Other	14,355	18,924
	-----	-----
Total other assets	103,107	112,401
Property, plant, and equipment, net	574,850	588,396
	-----	-----
Total assets	\$805,077	\$835,402
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$37,544	\$30,595
Accrued expenses	30,599	37,279
Income taxes payable	761	--
Current portion of debt	41,000	42,000
	-----	-----
Total current liabilities	109,904	109,874
Long-term debt	135,339	172,975
Accrued postretirement benefits other than pension	82,464	78,951
Other long-term liabilities	55,221	50,493
Deferred income taxes	17,857	25,230
Stockholders' equity:		
Convertible preferred stock	67,841	67,841
Common stock, \$.01 par value, 44,000,000 shares authorized, 13,775,074 issued and 13,518,008 outstanding in 1996 and 13,754,224 issued and 13,567,858		

	December 31,	
	-----	-----
	1996	1995
	----	----
	(In thousands)	
outstanding in 1995	138	138
Paid-in capital	109,689	109,257
Retained earnings	232,060	224,574
Less treasury common stock at cost (257,066 shares in 1996 and 186,366 shares in 1995)	(5,436)	(3,931)
	-----	-----
Total stockholders' equity	404,292	397,879
	-----	-----
Total liabilities and stockholders' equity	\$805,077	\$835,402
	=====	=====

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Ashland Coal, Inc. and Subsidiaries

Three years ended December 31, 1996

	Convertible Preferred Stock -----	Common Stock -----	Paid-In Capital -----
	(In thousands)		
Balance at January 1, 1994	\$67,841	\$136	\$107,087
Net income			
Cash dividends paid:			
Common--\$.415 per share			
Preferred--\$10,414 (including \$2,800 preference dividend) per share			
Issuance of 35,655 shares of common stock under dividend reinvestment and stock purchase plan		1	980
Issuance of 28,825 shares of common stock under stock incentive plan			644
	-----	---	-----
Balance at December 31, 1994	67,841	137	108,711
Net income			
Cash dividends paid:			
Common--\$.46 per share			
Preferred--\$11,239 (including \$2,800 preference dividend) per share			
Purchase of 185,300 shares of common stock			
Issuance of 31,240 shares of common stock under stock incentive plan		1	546
	-----	---	-----
Balance at December 31, 1995	67,841	138	109,257
Net income			
Cash dividends paid:			
Common--\$.46 per share			
Preferred--\$11,239 (including \$2,800 preference dividend) per share			
Purchase of 70,700 shares of common stock			
Issuance of 20,850 shares of common stock under stock			

	Convertible Preferred Stock	Common Stock	Paid-In Capital
	-----	-----	-----
	(In thousands)		
incentive plan			432
Balance at December 31, 1996	----- \$67,841 =====	--- \$138 ===	----- \$109,689 =====

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Continued from prior page)

Ashland Coal, Inc. and Subsidiaries

Three years ended December 31, 1996

	Retained Earnings -----	Treasury Stock -----	Total -----
	(In thousands)		
Balance at January 1, 1994	\$168,363	\$	\$343,427
Net income	32,220		32,220
Cash dividends paid:			
Common--\$.415 per share	(5,686)		(5,686)
Preferred--\$10,414 (including \$2,800 preference dividend) per share	(2,603)		(2,603)
Issuance of 35,655 shares of common stock under dividend reinvestment and stock purchase plan			981
Issuance of 28,825 shares of common stock under stock incentive plan			644
	-----		-----
Balance at December 31, 1994	192,294		368,983
Net income	41,411		41,411
Cash dividends paid:			
Common--\$.46 per share	(6,321)		(6,321)
Preferred--\$11,239 (including \$2,800 preference dividend) per share	(2,810)		(2,810)
Purchase of 185,300 shares of common stock		(3,902)	(3,902)
Issuance of 31,240 shares of common stock under stock incentive plan		(29)	518
	-----	-----	-----
Balance at December 31, 1995	224,574	(3,931)	397,879
Net income	16,513		16,513
Cash dividends paid:			
Common--\$.46 per share	(6,217)		(6,217)
Preferred--\$11,239 (including \$2,800 preference dividend) per share	(2,810)		(2,810)
Purchase of 70,700 shares of common stock		(1,505)	(1,505)

	Retained Earnings -----	Treasury Stock -----	Total -----
		(In thousands)	
Issuance of 20,850 shares of common stock under stock incentive plan			432
Balance at December 31, 1996	\$232,060 ----- =====	\$(5,436) ----- =====	\$404,292 ----- =====

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Ashland Coal, Inc. and Subsidiaries

	Year Ended December 31,		
	1996	1995	1994
	-----	-----	-----
	(In thousands)		
Operating activities:			
Net income	\$16,513	\$41,411	\$32,220
Adjustments to reconcile to cash provided by operating activities:			
Depreciation and amortization of property, plant, and equipment	64,699	65,127	58,344
Other amortization	5,480	5,766	13,451
Prepaid royalties expensed	23,738	21,286	19,868
Deferred income taxes	(6,048)	(7,511)	(11,238)
(Gain) loss on disposition of assets	3	(477)	(1,214)
Partnership costs in excess of cash advances	500	689	436
Changes in operating assets and liabilities:			
Trade accounts receivable	19,699	(14,080)	(16,849)
Other receivables	630	2,234	(4,657)
Inventories	(15,356)	4,173	(7,907)
Prepaid royalties	(3,358)	(4,527)	(5,070)
Other current assets	327	1,200	(1,522)
Other assets	3,037	2,336	3,178
Accounts payable and accrued expenses	(1,280)	(902)	12,816
Income taxes	1,347	(764)	2,381
Accrued postretirement benefits other than pension	3,513	3,755	7,351
Other long-term liabilities	4,587	2,159	3,159
	-----	-----	-----
Cash provided by operating activities	118,031	121,875	104,747
Investing activities:			
Property, plant, and equipment:			
Purchases	(52,628)	(58,245)	(43,501)
Proceeds from sales	3,324	2,249	4,280
Advances on prepaid royalties	(20,698)	(21,013)	(20,490)
	-----	-----	-----

	Year Ended December 31,		
	1996	1995	1994
	-----	-----	-----
	(In thousands)		
Cash used in investing activities	(70,002)	(77,009)	(59,711)
Financing activities:			
Proceeds from borrowings	904,080	1,007,754	1,315,931
Payments on borrowings	(942,870)	(1,039,402)	(1,353,570)
Dividends paid	(9,027)	(9,131)	(8,289)
Proceeds from sale of common stock	375	447	1,456
Purchase of common stock	(1,505)	(3,902)	--
	-----	-----	-----
Cash used in financing activities	(48,947)	(44,234)	(44,472)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(918)	632	564
Balance at beginning of year	1,752	1,120	556
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 834	\$ 1,752	\$ 1,120
	=====	=====	=====
Supplemental cash flow information:			
Cash paid during the year for income taxes, net of refunds	\$ 2,521	\$ 13,470	\$ 9,218
Cash paid during the year for interest, net of amounts capitalized	\$ 17,746	\$ 20,281	\$ 22,126

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Ashland Coal, Inc. and Subsidiaries

1. Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Ashland Coal, Inc. and its subsidiaries (the Company or Ashland Coal), which operate in the coal mining industry. The Company's mining operations are conducted in eastern Kentucky and West Virginia, and the coal is marketed primarily in the eastern United States. All subsidiaries are wholly owned. Significant intercompany transactions and accounts have been eliminated in consolidation.

Ashland Coal's 17.5% partnership interest in Dominion Terminal Associates is accounted for on the equity method in the consolidated balance sheets. Allocable costs of the partnership for coal loading and storage are included in costs and expenses in the consolidated statements of income.

Inventories

Inventories are comprised of the following:

	1996	1995
	----	----
	(In thousands)	
Coal	\$22,320	\$ 8,536
Supplies	19,074	17,502
	-----	-----
	\$41,394	\$26,038
	=====	=====

Coal inventories are stated at the lower of cost (determined by the first-in, first-out method) or market. Supplies inventories are valued at the lower of average cost or market.

Coal Acquisition Costs and Prepaid Royalties

Coal lease rights obtained through acquisition of other companies are capitalized and amortized primarily by the units-of-production method over the estimated recoverable reserves.

Rights to leased coal lands are often acquired through royalty

payments. Where royalty payments represent prepayments recoupable against future production, they are capitalized, and amounts expected to be recouped within one year are classified as a current asset. As mining occurs on these leases, the prepayment is offset against earned royalties and is included in the cost of coal mined. The Company provides a valuation allowance for royalties estimated to be nonrecoupable. The valuation allowance for prepaid royalties was \$6,327,000 and \$7,865,000 at December 31, 1996 and 1995, respectively.

Coal Supply Agreements

Acquisition costs allocated to coal supply agreements (sales contracts) are capitalized and amortized to selling expense on the basis of coal to be shipped over the term of the contract. Accumulated amortization for sales contracts was \$37,933,000 and \$34,147,000 at December 31, 1996 and 1995, respectively.

Exploration Costs

Costs related to locating coal deposits and determining the economic mineability of such deposits are expensed as incurred.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Costs of purchasing rights to coal reserves and of developing new mines or significantly expanding the capacity of existing mines are amortized using the units-of-production method. Plant and equipment are depreciated principally on the straight-line method over the estimated useful lives of the assets, which range from three to 33 years. Interest costs on borrowed funds are capitalized for significant asset construction projects. Capitalized interest costs were \$382,000 in 1996, \$311,000 in 1995, and \$176,000 in 1994.

Asset Impairment

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If this review indicates that the value of the asset will not be recoverable, as determined based on projected undiscounted cash flows related to the asset over its remaining life, then the carrying value of the asset is reduced to its estimated fair value.

Income Taxes

Deferred income taxes are based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years during which taxes are expected to be paid or

recovered.

Revenue Recognition

Coal sales revenues include sales to customers of coal produced at Company operations and purchased from other companies. The Company recognizes revenue from coal sales at the time title passes to the customer. Revenues other than from coal sales are included in operating revenues and are recognized in income as services are performed or otherwise earned.

Other

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents (none at December 31, 1996 and 1995) represent highly liquid investments with a maturity of three months or less when purchased. Cash equivalents are recorded at cost, plus accrued interest, which approximates market.

The Company accrues amounts to be paid or received under interest-rate swap and cap agreements over the lives of the agreements. Such amounts are recognized as adjustments to interest expense over the lives of agreements, thereby adjusting the effective interest rate on the Company's debt.

Certain amounts in the 1995 and 1994 financial statements have been reclassified to conform with the classifications in the 1996 financial statements.

2. Related Parties

The financial statements include transactions with Ashland Inc. (Ashland), Saarbergwerke AG (Saarberg), and Carboex International, Ltd. (Carboex) and their affiliates. Ashland owns 7,481,290 shares of the issued and outstanding common stock and the issued and outstanding convertible Class B preferred stock of Ashland Coal, and Carboex owns the issued and outstanding convertible Class C preferred stock of Ashland Coal. Prior to February 8, 1995, Saarberg owned the issued and outstanding convertible Class B preferred stock. On February 8, 1995, Ashland purchased Saarberg's Class B preferred stock for \$110,076,000. Ashland now has approximately 57% of the voting power of Ashland Coal in matters other than the election of directors and could elect six members of the 10-member Board of Directors.

Revenues include sales of coal to Saarberg and miscellaneous items of income resulting from transactions with Ashland. In addition, Ashland Coal receives certain services from and provides certain services to Ashland for which fees are charged between the companies. Ashland Coal purchases fuel, oil, and other products from Ashland for use in its mining operations.

Saarberg and Carboex are the Company's exclusive agents for the purpose of selling metallurgical coal to the steel industry in Europe. Under the terms of the agreement, Ashland Coal pays a 2% commission on all such sales.

Transactions with related parties (which include Saarberg prior to February 8, 1995) are summarized below.

	1996 ----	1995 ----	1994 ----
	(In thousands)		
Revenues:			
Saarberg	\$ --	\$ --	\$4,124
Ashland and affiliates	7	2,390	1
Service fees:			
Charges from Ashland	429	428	392
Charges to Ashland	1	5	1
Commissions paid on European sales of metallurgical coal:			
Carboex	100	125	108
Saarberg and affiliates	--	--	108
Purchases of fuel, oil, and other products from Ashland	5,525	5,996	5,881

Management believes that charges between Ashland Coal and Ashland for services were reasonable and that the other transactions summarized above were concluded on terms equivalent to those prevailing among unaffiliated parties.

3. Dominion Terminal Associates

Ashland Coal holds a 17.5% general partnership interest in Dominion Terminal Associates (DTA), which operates a ground storage-to-vessel coal transloading facility in Newport News, Virginia. DTA leases the facility from Peninsula Ports Authority of Virginia (PPAV) for amounts sufficient to meet debt-service requirements. Financing is provided through \$132,800,000 of tax-exempt bonds issued by PPAV which mature July 1, 2016.

Under the terms of a throughput and handling agreement with DTA, each partner is charged its share of cash operating and debt-service costs in exchange for the right to use its share of the facility's loading capacity and is required to make periodic cash advances to DTA to fund such costs. On a cumulative basis, costs exceeded cash advances by \$8,122,000 and \$7,622,000 at December 31, 1996 and 1995, respectively (included in other long-term liabilities). Costs and cash advances for the last three years follow:

(In thousands)	1996 ----	1995 ----	1994 ----
Operating and debt service costs charged to costs and expenses	\$4,031	\$3,898	\$3,316
Cash advances	3,531	3,209	2,880

Future payments for fixed operating costs and debt service are estimated to approximate \$3,300,000 annually through 2015 and \$26,000,000 in 2016.

4. Income Taxes

Significant components of the provision for income tax expense (benefit) are as follows:

(In thousands)	1996	1995	1994
	----	----	----
Current:			
Federal	\$3,702	\$11,793	\$11,037
State	166	1,119	829
	-----	-----	-----
Total current	3,868	12,912	11,866
	-----	-----	-----
Deferred:			
Federal	(5,638)	(6,894)	(10,253)
State	(410)	(617)	(985)
	-----	-----	-----
Total deferred	(6,048)	(7,511)	(11,238)
	-----	-----	-----
	\$ (2,180)	\$ 5,401	\$ 628
	=====	=====	=====

A reconciliation of the normal statutory federal income tax on Ashland Coal's pretax income with the Company's actual income tax expense (benefit) follows:

(In thousands)	1996	1995	1994
	----	----	----
Income tax expense at U.S. statutory rate	\$ 5,017	\$16,384	\$11,497
Increase (decrease) in taxes resulting from:			
Percentage depletion allowance	(6,552)	(10,431)	(10,685)
State income taxes, net of effect of federal taxes	(302)	110	(446)
Nontaxable income, net of nondeductible expenses	(414)	(590)	(53)
Other items	71	(72)	315
	-----	-----	-----
	\$ (2,180)	\$ 5,40	\$ 628
	=====	=====	=====

Significant components of the Company's deferred tax liabilities and assets that result from carryforwards and

temporary differences between the financial statement basis and tax basis of assets and liabilities are summarized as follows:

(In thousands)	1996 ----	1995 ----
Deferred tax liabilities:		
Acquisition costs allocated to mineral reserves	\$ 83,908	\$ 87,301
Property, plant, and equipment, principally due to differences in lives and methods of depreciation and amortization	26,873	27,613
Prepaid royalties capitalized for financial reporting purposes	19,619	19,537
Acquisition costs allocated to coal supply agreements	2,261	3,110
Other	2,822	3,432
	-----	-----
Total deferred tax liabilities	135,483	140,993
	-----	-----
Deferred tax assets:		
Goodwill for tax purposes	34,503	37,586
Postretirement benefits other than pension	32,707	31,228
Alternative minimum tax credit carryforward	29,529	26,971
Costs not deductible until paid or realized	17,722	17,719
Net operating loss carryforwards	557	500
Deferred gains not deferred for tax purposes	2,075	2,141
Other	2,720	3,130
	-----	-----
Total deferred tax assets	119,813	119,275
	-----	-----
Net deferred tax liability	15,670	21,718
Less current assets	(2,187)	(3,512)
	-----	-----
Long-term deferred tax liability	\$ 17,857	\$ 25,230
	=====	=====

At December 31, 1996, the Company had \$459,000 of federal net operating loss carryforwards, which expire in 2004, and \$7,362,000 of state net operating loss carryforwards, which expire from 2001 through 2011, which may be applied against future taxable income.

5. Prepaid Royalties

Ashland Coal has entered into various noncancellable royalty lease agreements under which future minimum payments are approximately \$23,000,000 in 1997, 1998, and 1999, \$22,000,000 in 2000 and 2001, and \$190,000,000 in the aggregate thereafter.

Coal lands and mineral rights with a carrying value of \$1,600,000, prepaid royalties with a carrying value of \$25,100,000 (net of the valuation allowance), and future royalty commitments of \$2,250,000 at December 31, 1996, represent amounts attributable to coal properties for which there are no immediate plans for significant production. Geological surveys performed by outside consultants indicate that there are sufficient reserves relative to these properties to permit recovery of Ashland Coal's investment.

6. Property, Plant, and Equipment

Property, plant, and equipment consists of the following:

(In thousands)	1996 ----	1995 ----
Cost:		
Land	\$ 11,361	\$ 9,126
Coal lands and mineral rights	439,564	462,465
Buildings and improvements	38,836	38,381
Equipment and processing facilities	410,798	386,624
Other	6,930	7,502
Construction in progress	9,934	5,184
	-----	-----
	917,423	909,282
Less accumulated depreciation and amortization	342,573	320,886
	-----	-----
	\$574,850	\$588,396
	=====	=====

7. Debt and Financing Arrangements

Debt consists of the following:

(In thousands)	1996 ----	1995 ----
9.78% senior unsecured notes, payable in four equal annual installments beginning September 15, 1997	\$100,000	\$100,000

(In thousands)	1996	1995
	----	----
9.66% senior unsecured notes, payable in six equal annual installments beginning May 15, 2001	52,900	52,900
8.92% senior unsecured notes, due May 15, 1996	--	22,100
Indebtedness to banks under revolving credit agreement (rate at December 31, 1996--5.91%; 1995--6.22%)	15,000	30,000
Indebtedness to banks under lines of credit (weighted average rate at at December 31, 1996--7.25%; 1995--6.09%)	6,261	7,315
Other	2,178	2,660
	-----	-----
	176,339	214,975
Less current portion	41,000	42,000
	-----	-----
Long-term debt	\$135,339	\$172,975
	=====	=====

Ashland Coal has a revolving credit agreement, which terminates in 1999, with a group of banks providing for borrowings of up to \$500,000,000. The rate of interest on borrowings under this agreement is, at Ashland Coal's option, a money-market rate determined by a competitive bid process, the National Westminster Bank PLC reference rate, a rate based on LIBOR, or a rate based on an average market certificate-of-deposit rate. The provisions of the revolving credit agreement require a facility fee, which is currently computed at the rate of 0.1875% per annum on the amount of the commitment. The rate used to compute the facility fee is redetermined quarterly based upon the Company's ratio of debt to equity and may vary from 0.15% to 0.35% per annum. Certain amounts borrowed under the revolving credit agreement (\$6,000,000 in 1996 and \$18,200,000 in 1995) are classified as long-term as the Company has the intent and ability to maintain these borrowings on a long-term basis.

Ashland Coal periodically establishes uncommitted lines of credit with banks. These agreements generally provide for short-term borrowings at market rates. At December 31, 1996, there were \$170,000,000 of such agreements in effect.

Aggregate maturities of debt at December 31, 1996, are \$41,000,000 in 1997, \$31,785,000 in 1998, \$25,630,000 in 1999, \$25,025,000 in 2000, \$8,817,000 in 2001, and \$44,082,000 thereafter. Included in these maturities are expected discretionary prepayments of \$9,000,000 in 1997 and \$6,000,000 in 1998.

The credit agreements contain, among other covenants, provisions setting forth certain requirements for current ratio and consolidated net worth and restrictions on the payment of dividends and the creation of additional debt. At December 31, 1996, retained earnings of \$73,375,000 were available for dividends.

The Company enters into interest-rate swap agreements to modify the interest characteristics of its outstanding debt. At December 31, 1996, the Company had entered into interest-rate swap agreements having a total notional value of \$65,000,000. Of this total notional amount, \$40,000,000 was used to convert fixed-rate debt to a variable rate. Under these agreements, the Company receives a weighted average fixed rate of 6.59% and was paying a weighted average variable rate at December 31, 1996, of 5.78%. The average remaining life on these swaps at December 31, 1996, was approximately 52 months. During the fourth quarter of 1996 interest rates declined, and the Company chose to reduce its exposure to variable interest rates by entering into \$25,000,000 of reverse swap agreements. At December 31, 1996, the Company was obligated to pay a weighted average fixed rate of 6.26% under these agreements and will receive a weighted average variable rate which was 5.78% at that date. The terms and amounts of these swaps coincide with the stated maturities of the fixed-rate debt obligations being converted. The variable rates are adjusted using six month LIBOR. Interest expense for 1996 was reduced by \$210,000 under these agreements based on a net average notional position for the year of \$24,800,000. The Company's exposure to large interest-rate fluctuations on its variable-rate debt has been mitigated through the purchase of short-term interest-rate caps totaling \$35,000,000 as of December 31, 1996.

8. Accrued Black Lung Benefits

Ashland Coal is liable under the federal Mine Safety and Health Act of 1977, as amended, to provide for pneumoconiosis (black lung) benefits to eligible employees, former employees, and dependents with respect to claims filed by such persons on or after July 1, 1973. Ashland Coal is also liable under various states' statutes for black lung benefits. Ashland Coal currently provides for federal and state claims through a self-insurance program. Charges are being made to current operations in amounts sufficient to amortize the actuarially computed liability for black lung benefits over three to 16 years (five to 22 years in 1995 and 1994) at an assumed 7% (8% in 1995 and 1994) after-tax investment return. The accrual for black lung benefits (included in other long-term liabilities and in accrued expenses) was \$16,222,000 and \$15,841,000 at December 31, 1996 and 1995, respectively.

9. Accrued Postmining Reclamation and Mine Closing Costs

Under the 1977 Surface Mining Control and Reclamation Act, a mine operator is responsible for postmining reclamation on every mine for at least five years after the mine is closed. Ashland Coal performs a substantial amount of reclamation of disturbed acreage as an integral part of its normal mining process. All such costs are expensed as incurred. The remaining costs of reclamation are estimated and accrued as mining progresses.

The accrual for such reclamation (included in other long-term liabilities and in accrued expenses) was \$2,749,000 and \$2,599,000 at December 31, 1996 and 1995, respectively. In addition, the Company accrues the costs of removal at the conclusion of mining of roads, preparation plants, and other facilities and other costs (collectively, closing costs) over the lives of the various mines. Closing costs, in the aggregate, are estimated to be approximately \$38,000,000. At December 31, 1996 and 1995, the accrual for closing costs (included in other long-term liabilities and in accrued expenses) was \$10,501,000 and \$9,418,000, respectively.

10. Accrued Expenses

Accrued expenses are comprised of the following:

(In thousands)	1996	1995
	----	----
Accrued compensation	\$12,148	\$17,800
Accrued taxes	11,206	10,743
Accrued interest	3,928	4,313
Accrued reclamation and mine closing costs	1,025	960
Other	2,292	3,463
	-----	-----
	\$30,599	\$37,279
	=====	=====

11. Capital Stock

Convertible preferred stock consists of the following:

	(In thousands)
Class A, \$100 par value, 500 shares authorized, none outstanding	\$ --
Class B, \$100 par value, 250 shares authorized, 150 shares issued and outstanding	33,050
Class C, \$100 par value, 250 shares authorized, 100 shares issued and outstanding	34,791

	\$ 67,841
	=====

Holders of shares of Class A, B, and C preferred stock are entitled to receive dividends at such times and in such amounts as shall be equal to the dividends payable on the number of shares of common stock into which each such share of preferred stock is convertible. In addition, holders of Class B and C preferred stock are entitled to receive cumulative dividends in preference to common stock. Such preference dividend is currently \$2,800 per share per annum, decreases to \$1,400 per share per annum in 1999, and will be zero after 2003.

Each share of Class A preferred stock (if issued) is convertible into 13,846 shares of common stock.

Each share of Class B and C preferred stock is convertible into shares of common stock as follows:

Through August 17, 1998	18,346 shares
August 18, 1998--August 17, 2003	19,596 shares
Thereafter	20,846 shares

Holders of Class B and C preferred stock, voting cumulatively and together as a class, have the right to elect one director for each 63 shares of such Class B and C preferred stock held by them, up to a maximum of three directors.

In 1995 Ashland Coal's Board of Directors authorized the purchase, from time to time, of up to one million shares of the

Company's common stock. At December 31, 1996, 256,000 shares had been purchased under this authorization. Shares acquired may be used for general corporate purposes.

12. Earnings Per Share

Earnings per share of common stock are based on the weighted average number of common and common equivalent shares outstanding during each year. Shares of common stock issuable under the Company's stock incentive plans are treated as common stock equivalents when dilutive. Fully diluted earnings per share are based on conversion rights that become effective within 10 years of the respective balance sheet date.

Computations of earnings per share, using the "two class" method, are as follows:

(In thousands except earnings per share)	1996 ----	1995 ----	1994 ----
Net income	\$16,513	\$41,411	\$32,220
Less: Common stock dividends	6,217	6,321	5,686
Preferred stock dividends	2,810	2,810	2,603
	-----	-----	-----
Undistributed earnings	\$ 7,486	\$32,280	\$23,931
	=====	=====	=====
Earnings per common share:			
Primary:			
Undistributed earnings	\$.41	\$ 1.76	\$ 1.30
Dividends (except preference dividends)	.46	.46	.42
	-----	-----	-----
Net income	\$.87	\$ 2.22	\$ 1.72
	=====	=====	=====
Fully diluted:			
Undistributed earnings	\$.40	\$ 1.70	\$ 1.26
Dividends (except preference dividends)	.46	.46	.42
	-----	-----	-----
Net income	\$.86	\$ 2.16	\$ 1.68
	=====	=====	=====

Weighted average shares for computing earnings per share were as follows:

(In thousands)	1996 ----	1995 ----	1994 ----
Primary	18,142	18,374	18,338
Fully diluted	18,782	19,002	18,965

13. Stock Incentive Plans

On August 8, 1988, the stockholders approved a stock incentive plan (1988 Plan) reserving 750,000 shares of Ashland Coal common stock, and on April 28, 1995, the stockholders approved a new stock incentive plan (1995 Plan) reserving 1,000,000 shares of Ashland Coal common stock, in each case for awards to officers and key employees. The 1988 Plan provides for the granting of incentive stock options (qualified stock options), nonqualified stock options, stock appreciation rights (SARs), and restricted stock awards, and the 1995 Plan provides for granting of those same incentives, as well as merit awards, performance share awards, and phantom stock awards. Stock options generally become exercisable in full or in part one year from date of grant and are granted at a price equal to 100% of the fair market value of the stock on the date of grant. SARs entitle employees to surrender stock options and receive cash or stock in an amount equal to the excess of the market value of the optioned shares over their option price. Unexercised options and any accompanying SARs lapse 10 years after the date of grant. Restricted stock awards may entitle employees to purchase shares at a nominal cost. Such awards entitle employees to vote shares acquired and to receive any dividends thereon, but such shares cannot be sold or transferred and are subject to forfeiture if employees terminate their employment prior to the prescribed period, which can be from one to five years. As of December 31, 1996, no SARs or restricted stock awards have been granted. Merit awards under the 1995 Plan are grants of Ashland Coal stock without restriction and at a nominal cost. Performance share awards are awards which can be earned by the recipient if Ashland Coal meets certain pre-established performance measures. Until earned, the performance shares are nontransferable, and when earned, performance shares are payable in cash, stock, or restricted stock. Phantom stock awards under the 1995 Plan are based on the appreciation of hypothetical underlying shares or the earnings performance of such shares and may be paid in cash or in shares. As of December 31, 1996, no merit, performance share, or phantom stock awards have been granted.

Information regarding stock options under these plans is as follows:

(In thousands except per share data)	1996	
	Common Shares	Weighted Average Price
	-----	-----
Options outstanding at January 1	578	\$ 24.14
Granted	181	22.25
Exercised	(21)	17.99
Forfeited	(38)	29.09

Options outstanding at December 31	700	23.56
	===	
Options exercisable at December 31	454	23.59
Options available for grant at December 31	857	

(In thousands except per share data)	1995	
	Common Shares	Weighted Average Price
	-----	-----
Options outstanding at January 1	514	\$ 23.23
Granted	95	26.13
Exercised	(31)	15.24
Forfeited	--	--

Options outstanding at December 31	578	24.14
	===	
Options exercisable at December 31	410	23.10
Options available for grant at December 31	1,000	

(In thousands except per share data)	1994	
	Common Shares	Weighted Average Price
	-----	-----
Options outstanding at January	468	\$ 21.75
Granted	96	28.45
Exercised	(29)	16.49
Forfeited	(21)	23.29

Options outstanding at December 31	514	23.23
	===	
Options exercisable at December 31	351	21.11
Options available for grant at December 31	95	

Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, encourages, but does not require, companies to recognize compensation expense related to the grants of stock or stock options to employees under plans such as the Company's 1988 and 1995 Plans. Companies choosing not to adopt SFAS No. 123 continue to account for such grants using the accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB25), but are required to make certain disclosures about their plans, including pro forma net income and earnings per share under the new method. The Company has elected to continue to follow APB25 for expense recognition and to make the disclosures required by SFAS No. 123.

Under SFAS No. 123's transition rules, Ashland Coal has determined the following pro forma amounts:

(In thousands except earnings per share)	1996 ----	1995 ----
Pro forma net income	\$16,066	\$41,169
Pro forma earnings per share:		
Primary	.85	2.20
Fully diluted	.83	2.15

For purposes of these pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting periods. The effect of compensation expense from stock options on 1995 pro forma net income reflects only the first year of vesting of 1995 awards. The 1996 pro forma net income reflects the second year of vesting of 1995 awards and the first year of vesting of 1996 awards. Because the Company's option awards are generally not fully vested until after three years from the date of grant, the full effect of recognizing compensation expense in pro forma net income will not be apparent until 1997.

The fair values of options granted in 1996 and 1995 were determined to be \$862,000 and \$642,000, respectively, using the Black-Scholes option pricing model and the following weighted-average assumptions:

	1996 ----	1995 ----
Risk-free interest rate	5.44%	7.34%
Dividend yield	2%	2%
Volatility of the expected market price of the Company's common stock	.22	.24
Expected life of options (in years)	4	4

The fair value per option granted was \$4.76 in 1996 and \$6.72 in 1995. Exercise prices for options outstanding as of December 31, 1996, range from \$11 to \$34.375, and the weighted-average remaining contractual life at that date was 6.3 years. The table below shows pertinent information on options outstanding at December 31, 1996, priced below \$25 per share and priced at \$25 per share or more.

	Option Exercise Price	
	Below \$25	\$25 or More
Options outstanding (in thousands)	406	294
Weighted-average exercise price	\$ 20.30	\$ 28.06
Weighted-average remaining contractual life (in years)	6.0	6.8
Options currently exercisable (in thousands)	225	229
Weighted-average exercise price of options currently exercisable	\$ 18.74	\$ 28.36

14. Employee Benefit Plans

Defined Benefit Pension Plan

The Company has a noncontributory defined benefit pension plan covering certain of its salaried and nonunion hourly employees. Benefits for salaried employees generally are based on years of service and the employee's compensation during the three years prior to retirement. For hourly employees, the plan provides for a stated benefit for each year of service. Ashland Coal funds the plan in an amount not less than the minimum statutory funding requirements nor more than the maximum amount that can be deducted for federal income tax purposes. Plan assets consist primarily of equity securities and fixed income securities.

The net pension cost of the plan includes the following components:

(In thousands)	1996	1995	1994
Service cost of benefits earned	\$1,508	\$1,185	\$1,433
Interest cost on projected benefit obligation	1,290	1,032	863
Actual (return) loss on plan assets	(1,111)	(1,872)	787
Net amortization	212	1,148	(1,428)
Net periodic pension cost	\$1,899	\$1,493	\$1,655

The following table sets forth the plan's funded status and amounts recognized in the consolidated balance sheets at December

31, 1996 and 1995:

(In thousands)	1996 ----	1995 ----
Actuarial present value of benefit obligation:		
Vested benefits	\$ 9,428	\$ 9,450
Nonvested benefits	1,227	1,246
	-----	-----
Accumulated benefit obligation	10,655	10,696
Effect of projected compensation increases	7,826	7,857
	-----	-----
Projected benefit obligation	18,481	18,553
Plan assets at fair value	12,644	8,957
	-----	-----
Projected benefit obligation in excess of plan assets	5,837	9,596
Unrecognized transition credit	297	397
Unrecognized prior service cost	(7)	(8)
Unrecognized net loss	(1,476)	(4,439)
	-----	-----
Accrued pension liability	4,651	5,546
Less amount included in accrued expenses	63	2,331
	-----	-----
Amount included in other long-term liabilities	\$ 4,588	\$ 3,215
	=====	=====

The assumptions used in computing the information above were as follows:

	1996 ----	1995 ----	1994 ----
Discount rate	7.75%	7.0%	8.5%
Expected long-term rate of return on plan assets	9.00%	9.0%	9.0%
Future compensation growth rate	5.00%	5.0%	5.0%

Multiemployer Pension and Benefit Plans

Under the labor contract with the United Mine Workers of America (UMWA), Ashland Coal made payments of \$1,076,000 in 1996, \$1,348,000 in 1995, and \$1,293,000 in 1994 into a multiemployer defined benefit pension plan trust established for the benefit of

union employees. Payments are based on hours worked. Under the Multiemployer Pension Plan Amendments Act of 1980, a contributor to a multiemployer pension plan may be liable, under certain circumstances, for its proportionate share of the plan's unfunded vested benefits (withdrawal liability). Ashland Coal has estimated its share of such amount to be \$15,200,000 at December 31, 1996. Ashland Coal is not aware of any circumstances which would require it to reflect its share of unfunded vested pension benefits in its financial statements.

The Coal Industry Retiree Health Benefit Act of 1992 (Benefit Act) provides for the funding of medical and death benefits for certain retired members of the UMWA through premiums to be paid by assigned operators (former employers), transfers of monies in 1993 and 1994 from an overfunded pension trust established for the benefit of retired UMWA members, and transfers from the Abandoned Mine Lands Fund (funded by a federal tax on coal production) commencing in 1995. Ashland Coal treats its obligation under the Benefit Act as a participation in a multiemployer plan and recognizes expense as premiums are paid. Ashland Coal recognized \$651,000 in 1996, \$347,000 in 1995, and \$296,000 in 1994 in expense relative to premiums paid pursuant to the Benefit Act. The Company believes that the amount of its obligation under the Benefit Act is not significant.

Other Postretirement Benefit Plans

Ashland Coal and its subsidiaries currently provide certain postretirement health and life insurance coverage for eligible employees. Generally, covered employees who terminate employment after meeting the eligibility requirements for pension benefits are also eligible for postretirement coverage for themselves and their dependents. The salaried employee postretirement medical and dental plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. The postretirement medical plan for retirees who were members of the UMWA is not contributory. The Company's current funding policy is to fund the cost of all postretirement health and life insurance benefits as they are paid.

The net periodic postretirement benefit cost of these plans includes the following components:

(In thousands)	1996 ----	1995 ----	1994 ----
Service cost	\$2,628	\$2,138	\$4,522
Interest cost	3,878	3,859	4,591

Amortization of gains	(1,193)	(1,607)	(213)
	-----	-----	-----
Net periodic postretirement benefit cost	\$5,313	\$4,390	\$8,900
	=====	=====	=====

Net periodic postretirement benefit cost decreased approximately \$4,500,000 (an increase in net income of \$2,750,000, or \$.15 per share on a primary basis and \$.14 per share on a fully diluted basis) in 1995 due to changes in certain actuarial assumptions, including an increase in the discount rate, a decrease in the per capita claims cost, and a decrease in the health care cost trend rate.

The following table sets forth the amounts recognized in the consolidated balance sheets at December 31, 1996 and 1995, none of which have been funded:

(In thousands)	1996	1995
	----	----
Accumulated postretirement benefit obligation:		
Retirees	\$19,041	\$22,961
Fully eligible active plan participants	5,590	7,114
Other active plan participants	30,667	31,993
	-----	-----
	55,298	62,068
Unrecognized net gain	26,678	15,740
Unrecognized gain related to prior service	1,889	2,102
	-----	-----
Accrued postretirement obligation	83,865	79,910
Less amount included in accrued expenses	1,401	959
	-----	-----
Amount included in accrued postretirement benefits other than pension	\$82,464	\$78,951
	=====	=====

The discount rate used in determining the accumulated postretirement benefit obligation was 7.75% and 7% at December 31, 1996 and 1995, respectively. That change and a decrease in the actuarial assumption regarding per capita claims cost were responsible for the reduction in the accumulated postretirement benefit obligation from December 31, 1995, to December 31, 1996. The assumed health care cost trend rate for 1997 is 8.5%, decreasing to 5% in the year 2004. The health care cost trend

rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1996, by \$8,386,000, or 15.2%, and the net periodic postretirement benefit cost for 1996 by \$1,024,000, or 19.3%.

Other Plans

Ashland Coal sponsors three savings plans which were established to assist eligible employees in providing for their future retirement needs. Ashland Coal's contributions to the plans were \$2,107,000 in 1996, \$1,928,000 in 1995, and \$1,621,000 in 1994.

Restructuring Charges

In the first quarter of 1996, the Company began restructuring support functions at its West Virginia operations and at its corporate headquarters. The charge to operations for severance pay and other costs related to the restructuring amounted to approximately \$4,200,000 during 1996.

Changes in Assumptions

The assumptions, including discount rates, used in determining the accumulated benefit obligations for pensions and for other postretirement benefits have changed in the past, and it is reasonably possible that changes in those assumptions will occur in the future. Such changes affect not only the accumulated benefit obligations, but also the amount of expense recognized each year.

15. Concentration of Credit Risk and Major Customers

Ashland Coal places its cash equivalents in investment-grade short-term investments and limits the amount of credit exposure to any one commercial issuer.

Ashland Coal markets its coal principally to electric utilities in the United States and Europe. As of December 31, 1996 and 1995, accounts receivable from electric utilities located in the United States totaled \$42,341,000 and \$53,836,000, respectively. Accounts receivable from electric utilities located in Europe totaled \$7,328,000 as of December 31, 1995. There were no accounts receivable from European electric utilities at the end of 1996. Generally, credit is extended based on an evaluation of the customer's financial condition, and collateral is not required. Credit losses are provided for in the financial statements and historically have been minimal.

Ashland Coal is committed under long-term contracts to supply coal that meets certain quality requirements at specified prices. These prices are generally adjusted based on indices. Quantities sold under some of these contracts may vary from year to year within certain limits at the option of the customer. Sales (including spot sales) to major customers were as follows:

(In thousands)	1996	1995	1994
	----	----	----
Customer A	\$86,076	\$88,191	\$128,978
Customer B	64,403	60,767	60,928
Customer C	4,073	83,938	82,005

In 1996, 1995, and 1994, Ashland Coal had export sales, principally to European customers, of \$55,280,000, \$78,679,000, and \$40,608,000, respectively.

16. Fair Values of Financial Instruments

The following methods and assumptions were used by Ashland Coal in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates their fair value.

Debt: The carrying amounts of Ashland Coal's borrowings under its revolving credit agreement and under lines of credit approximate their fair value. The fair values of Ashland Coal's senior notes are estimated using discounted cash flow analyses, based on Ashland Coal's current incremental borrowing rates for similar types of borrowing arrangements.

Interest-rate caps and swaps: The fair values of interest-rate caps and swaps are based on quoted market prices, which reflect the present value of the difference between estimated future amounts paid (none for caps) and received.

The carrying amounts and fair values of Ashland Coal's financial instruments at December 31, 1996 and 1995, are as follows:

(In thousands)	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 834	\$ 834	\$ 1,752	\$ 1,752
Lines of credit	6,261	6,261	7,315	7,315
Revolving credit agreement	15,000	15,000	30,000	30,000
Senior notes	152,900	173,000	175,000	201,000
Interest-rate caps and swaps	--	572	--	125

17. Sale and Leaseback

On January 29, 1993, Ashland Coal sold mining equipment valued at approximately \$64,000,000 and leased back the equipment under an operating lease with a term of three years. In May 1995, the lease was amended to extend the term for two years for most of the equipment. The Company purchased the equipment not included in the extension in January 1996 for approximately \$4,000,000. The lease provides for annual rental payments of approximately \$9,600,000 in 1997 and \$2,300,000 in 1998. At the end of the lease term, the Company has the option to purchase the equipment for approximately \$28,300,000. Alternatively, the equipment may be sold by the lessor to a third party. In the event of such a sale, the Company will be required to make payment to the lessor in the event, and to the extent, that the proceeds are below \$23,700,000.

18. Subsequent Event

Ashland Coal and Arch Mineral Corporation (Arch) have reached an agreement in principle calling for the combination of the two companies. The exchange ratio to be used for the transaction will result in the former Ashland Coal and Arch stockholders holding approximately 48 percent and 52 percent of the combined company, respectively. Further terms and conditions of the transaction are continuing to be negotiated. Consummation of the transaction is conditioned upon the negotiation and execution of definitive agreements between the parties, receipt of all necessary governmental and regulatory consents, and approval by the stockholders of both corporations.

19. Commitments and Contingencies

Ashland Coal leases mining equipment, land, and various other properties under noncancellable long-term leases, expiring at various dates. Rental expense related to these operating leases

amounted to \$11,332,000 in 1996, \$13,737,000 in 1995, and \$14,088,000 in 1994. Minimum annual rentals due in future years under lease agreements in effect at January 1, 1997, are approximately \$11,648,000 in 1997, \$5,651,000 in 1998, \$3,067,000 in 1999, \$3,168,000 in 2000, \$3,242,000 in 2001, and additional amounts thereafter aggregating \$6,639,000 through 2011.

Ashland Coal is a party to numerous claims and lawsuits with respect to various matters. The Company provides for costs related to contingencies when a loss is probable and the amount is reasonably determinable. The Company estimates that its probable aggregate loss as a result of such claims is \$2,100,000 (included in other long-term liabilities) and believes that probable insurance recoveries of \$610,000 (included in other assets) related to these claims will be realized. The Company estimates that its reasonably possible aggregate losses from all currently pending litigation could be as much as \$4,300,000 (before tax) in excess of the probable loss previously recognized. However, the Company believes it is probable that substantially all of such losses, if any occur, will be insured. After conferring with counsel, it is the opinion of management that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on the consolidated financial condition, results of operations, or liquidity of the Company.

20. Quarterly Financial Information (Unaudited)

Quarterly financial data for 1996 and 1995 are summarized below.

(In thousands except earnings per share)	Three Months Ended March 31 -----	June 30 -----
1996:		
Sales and operating revenues	\$143,324(2)	\$138,800
Operating income	6,216(3)	7,640
Net income	1,515	3,090
Earnings per common share:(6)		
Primary	.07	.16
Fully diluted	.07	.16
1995:		
Sales and operating revenues	\$156,624	\$151,614
Operating income	15,175	18,215
Net income	9,041	11,566
Earnings per common share:(6)		
Primary	.49	.62

(In thousands except earnings per share)	Three Months Ended March 31 -----	June 30 -----
Fully diluted	.48	.60

(In thousands except earnings per share)	Sept. 30(1) -----	Dec. 31 -----
1996:		
Sales and operating revenues	\$142,991(2)	\$152,089
Operating income	6,272	11,693
Net income	2,501	9,407
Earnings per common share:(6)		
Primary	.13	.51
Fully diluted	.13	.50
1995:		
Sales and operating revenues	\$158,566	\$169,157(5)
Operating income	15,641(4)	18,416(4)
Net income	9,215	11,589
Earnings per common share:(6)		
Primary	.49	.62
Fully diluted	.48	.61

(1) The results of the third quarter of each year are frequently adversely affected by lower production and resultant higher costs because of scheduled vacation periods at the Company's large mines in West Virginia. In addition, costs are typically somewhat higher during vacation periods because of maintenance activity carried on during those periods. These adverse effects on the third quarter may make the third quarter not comparable to the other quarters and not indicative of results to be expected for the full year.

(2) In the first and third quarters of 1996, the Company and a customer agreed to reduce the tonnage to be delivered in 1996 under a coal supply agreement. As part of these agreed reductions, the customer agreed to make payments to the Company which increased operating revenues in the first and third quarters by \$1.1 million and \$.8 million, respectively. These agreements increased net income for the first quarter by \$.7 million, or \$.04 per share on a primary

and on a fully diluted basis, and increased net income for the third quarter by \$.5 million, or \$.03 per share on a primary and on a fully diluted basis.

- (3) In the first quarter of 1996, the Company provided for a restructuring charge of \$3.8 million related to restructuring certain support functions at its West Virginia operations and at corporate. The charge reduced net income for the quarter by \$2.6 million, or \$.14 per share on a primary and on a fully diluted basis.
- (4) In the third quarter of 1995, the actuarial estimate of the Company's accumulated obligation for postretirement health and life insurance benefits was revised. As a result of that revision, postretirement benefit expense was reduced \$2.3 million in the third quarter and \$2.2 million in the fourth quarter. Those changes increased net income for the third quarter by \$1.4 million, or \$.08 per share on a primary basis and \$.07 on a fully diluted basis, and increased net income for the fourth quarter by \$1.3 million, or \$.07 per share on a primary and on a fully diluted basis.
- (5) In the fourth quarter of 1995, Ashland Coal and a customer agreed to terminate a coal supply agreement. As part of this termination agreement, the customer agreed to make a payment to the Company, increasing operating revenues by \$.9 million and increasing net income for the quarter by \$.5 million, or \$.03 per share on a primary and on a fully diluted basis.
- (6) The sum of the quarterly earnings per share amounts may not equal earnings per share for the full year, because per share amounts are computed independently for each quarter and for the year based on the weighted average number of common and common equivalent shares outstanding during each period.

ASHLAND COAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months ended March 31,	
	----- 1997 -----	----- 1996 -----
REVENUES:		
Coal sales	\$163,104	\$139,193
Operating revenues	3,504	4,131
	----- 166,608	----- 143,324
COSTS AND EXPENSES:		
Cost of coal sold	136,627	126,731
Operating expenses	3,952	2,397
Selling, general and administrative expenses	7,303	7,980
	----- 147,882	----- 137,108
OPERATING INCOME	18,726	6,216
OTHER INCOME (EXPENSE):		
Interest income	72	14
Interest expense	(4,034)	(4,798)
	----- INCOME BEFORE INCOME TAXES	----- 1,432
Income tax expense (benefit)	2,480	(83)
	----- NET INCOME	----- \$ 1,515
NET INCOME	\$ 12,284	\$ 1,515
Earnings per common share:		
Primary	\$.67	\$.07
Fully diluted	\$.65	\$.07
Dividends declared per common share	\$.115	\$.115

See notes to condensed consolidated financial statements.

ASHLAND COAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 1997 ----- (Unaudited)	December 31, 1996 -----
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 11,396	\$ 834
Trade accounts receivable	68,676	56,743
Other receivables	6,447	6,260
Inventories	40,366	41,394
Prepaid royalties	16,826	17,525
Deferred income taxes	2,161	2,187
Other	2,666	2,177
	-----	-----
	148,541	127,120
OTHER ASSETS:		
Prepaid royalties	73,393	61,040
Coal supply agreements	26,675	27,712
Other	13,316	14,355
	-----	-----
	113,384	103,107
PROPERTY, PLANT AND EQUIPMENT		
Cost	915,346	917,423
Less accumulated deprecia- tion and amortization	352,597	342,573
	-----	-----
	\$824,674	\$805,077
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	\$ 52,202	\$ 37,544
Accrued expenses	29,670	30,599
Income taxes payable	4,305	761
Current portion of debt	40,762	41,000
	-----	-----
	126,939	109,904
LONG-TERM DEBT		
ACCURED POSTRETIREMENT BENEFITS	83,503	82,464
OTHER LONG-TERM LIABILITIES	55,206	55,221
DEFERRED INCOME TAXES	15,923	17,857

	March 31, 1997 ----- (Unaudited)	December 31, 1996 -----
STOCKHOLDERS' EQUITY:		
Convertible preferred stock	67,841	67,841
Common stock	138	138
Paid-in capital	109,689	109,689
Retained earnings	242,262	232,060
Treasury stock, at cost	(5,436)	(5,436)
	-----	-----
	414,494	404,292
	-----	-----
	\$824,674	\$805,077
	=====	=====

See notes to condensed consolidated financial statements.

ASHLAND COAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
	----	----
OPERATING ACTIVITIES:		
Net income	\$ 12,284	\$ 1,515
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortiza- tion of property, plant and equipment	18,060	16,910
Other amortization	1,453	1,353
Prepaid royalties expensed	6,162	5,070
Deferred income taxes	(1,910)	(2,023)
(Gain) loss on disposition of assets	2,018	(636)
Partnership costs in excess of cash advances	165	157
Changes in operating assets and liabilities	(7,570)	3,593
CASH PROVIDED BY OPERATING ACTIVITIES	30,752	25,939
INVESTING ACTIVITIES:		
Property, plant and equipment:		
Purchases	(10,853)	(14,445)
Proceeds from sales	260	920
Advances on prepaid royalties	(518)	(2,446)
CASH USED IN INVESTING ACTIVITIES	(11,111)	(15,971)
FINANCING ACTIVITIES:		
Proceeds from borrowings	36,891	287,405
Payments on borrowings	(43,888)	(294,949)
Dividends paid	(2,082)	(2,080)
Proceeds from sale of common stock	-	338
Purchase of common stock	-	(1,935)
CASH USED IN FINANCING ACTIVITIES	(9,079)	(10,681)

	Three Months Ended March 31,	
	-----	-----
	1997	1996
	----	----
Increase (decrease) in cash and cash equivalents	10,562	(713)
Cash and cash equivalents at beginning of year	834	1,752
Cash and cash equivalents at end of period	\$11,396	\$1,039

See notes to condensed consolidated financial statements.

ASHLAND COAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1997
(Unaudited)

NOTE A - GENERAL

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations, but are subject to any year-end audit adjustments which may be necessary. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the Annual Report of Ashland Coal, Inc. ("Ashland Coal" or the "Company") on Form 10-K for the year ended December 31, 1996. Results of operations for the period ended March 31, 1997 are not necessarily indicative of results to be expected for the year ending December 31, 1997.

NOTE B - PROPOSED MERGER

Ashland Coal and Arch Mineral Corporation ("Arch") have signed a definitive agreement to merge the two companies in a tax-free reorganization, which will be accounted for as a purchase by Arch. After the merger, Ashland coal and Arch stockholders will hold approximately 48 percent and 52 percent of the combined company, respectively. Consummation of the merger, which is subject to approval by Ashland coal's stockholders, is expected to occur about June 30, 1997.

NOTE C - INVENTORIES

Inventories are comprised of the following:

	March 31, 1997 -----	December 31, 1996 -----
	(In thousands)	
Coal	\$21,821	\$22,320
Supplies	18,545	19,074
	-----	-----
	\$40,366	\$41,394

NOTE D - DEBT

Debt consists of the following:

	March 31, 1997 -----	December 31, 1996 -----
	(In thousands)	
9.78% senior unsecured notes, payable in four equal annual installments beginning September 15, 1997	\$100,000	\$100,000
9.66% senior unsecured notes, payable in six equal annual installments beginning May 15, 2001	52,900	52,900
Indebtedness to banks under revolving credit agreement	15,000	15,000
Indebtedness to banks under lines of credit	-	6,261
Other	1,471	2,178
	-----	-----
Less current portion	169,371	176,339
	40,762	41,000
	-----	-----
Long-term debt	\$128,609	\$135,339
	=====	=====

NOTE E - CHANGE IN ESTIMATE AND NONRECURRING REVENUES AND EXPENSES

Cost of coal sold in 1997 was reduced by \$1.4 million by a change in the estimate of the Company's liability for postmining reclamation and mine closure. Operating expenses in 1997 include a charge of \$2.1 million related to an idled processing facility. A payment of \$1.1 million was received from a customer in the quarter ended March 31, 1996 for an agreed reduction of 1996 deliveries under a sales contract and is included in operating revenues. Costs and expenses in 1996 include a charge of \$3.8 million for restructuring.

NOTE F - COMPUTATION OF EARNINGS PER SHARE

a more dilutive result, that amount is shown here.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share ("SFAS 128"). The Company is required to adopt SFAS 128 on December 31, 1997, and at that time will present recomputed earnings per share ("EPS") for all prior periods using the methodology specified by SFAS 128. Although the Company has not yet determined the full effect of SFAS 128, it believes that basic EPS as computed under SFAS 128 will be somewhat greater than primary EPS as computed under the prior accounting rules. Basic EPS excludes the dilutive effect of common stock equivalents (such as stock options awarded to the Company's employees), but primary EPS includes that effect. In addition, the Company's convertible preferred stock will be less dilutive under SFAS 128 than under the prior rules. The Company also believes that diluted EPS computed in accordance with SFAS 128 will be slightly higher than fully diluted EPS as computed under the prior accounting rules.

NOTE G - CONTINGENCIES

Ashland Coal is a party to numerous claims and lawsuits with respect to various matters. The Company provides for costs related to contingencies when a loss is probable and the amount is reasonably determinable. The Company estimates that its probable aggregate loss as a result of such claims is \$1.8 million (included in other long-term liabilities) and believes that probable insurance recoveries of \$.5 million (included in other assets) related to these claims will be realized. The Company estimates that its reasonably possible aggregate losses from all currently pending litigation could be as much as \$3.5 million (before tax) in excess of the probable loss previously recognized. However, the Company believes it is probable that substantially all of such losses, if any occur, will be insured. After conferring with counsel, it is the opinion of management that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on the consolidated financial condition, results of operations or liquidity of the Company.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial statements give effect to the Merger, the issuance of shares of Company Common Stock to the stockholders of Ashland Coal and the substitution of options to purchase Company Common Stock for Ashland Coal Options pursuant to the Company Incentive Plan. The unaudited pro forma balance sheet is based on the respective balance sheets of the Company and Ashland Coal and has been prepared to reflect the Merger as of March 31, 1997. The unaudited pro forma statements of operations are based upon the respective statements of operations of the Company and Ashland Coal and combine the results of operations of the Company and Ashland Coal for the year ended December 31, 1996 and for the three months ended March 31, 1997, as if the Merger had been consummated on January 1, 1996 and January 1, 1997, respectively. The unaudited pro forma financial statements do not reflect any cost savings or other synergies that may result from the Merger. In the opinion of the management of the Company, all adjustments necessary to present pro forma financial statements have been made.

The unaudited pro forma financial statements do not purport to be indicative of the results of operations or financial position that would have occurred had the Merger occurred as of the beginning of the period or as of the date indicated or of the financial position or results of operations that may be obtained in the future.

The Merger will be accounted for under the purchase method of accounting. Accordingly, the cost to acquire Ashland Coal will be allocated to the assets acquired and liabilities assumed according to their respective fair values. The final allocation of such cost is dependent upon certain valuations that have not progressed to a stage where there is sufficient information to make a final allocation in the accompanying pro forma financial statements. Accordingly, the cost allocation adjustments are preliminary and have been made solely for the purpose of preparing such pro forma financial statements.

Adjustments to the preliminary allocation likely would result in changes to amounts assigned to coal reserves, plant and equipment and coal supply agreements and accordingly could impact depreciation, depletion and amortization charged to future periods. Although not expected to be material, the likely impact of the final allocation is not reasonably known.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

March 31, 1997
(in thousands)

	Company Historical	Ashland Coal Historical	Purchase Accounting Adjustments	Pro Forma
	-----	-----	-----	-----
Assets				
Current assets:				
Cash and cash equivalents	\$ 13,660	\$ 11,396	\$	\$ 25,056
Trade accounts receivable	82,246	68,676	--	150,922
Other receivables	3,744	6,447	--	10,191
Inventories	37,422	40,366	--	77,788
Prepaid royalties	3,897	16,829	--	20,726
Deferred income taxes	14,500	2,161	--	16,661
Prepaid expenses and other assets	5,581	2,666	--	8,247
	-----	-----	-----	-----
Total current assets	161,050	148,541	--	309,591
	-----	-----	-----	-----
Property, plant and equipment, net	552,056	562,749	49,821 (1)	1,164,626
	-----	-----	-----	-----
Other assets:				
Prepaid royalties	3,723	73,393	(59,008)(1)	18,108
Coal supply agreements less accumulated amortization	81,254	26,675	96,325 (1)	204,254
Deferred income taxes	64,639	--	(49,655)(2)	14,984
Receivables and other assets	9,885	13,316	(10,046)(1)	13,155
	-----	-----	-----	-----
	159,501	113,384	(22,384)	250,501
	-----	-----	-----	-----
Total assets	\$872,607	\$824,674	\$ 27,437	\$1,724,718
	=====	=====	=====	=====

	Company Historical -----	Ashland Coal Historical -----	Purchase Accounting Adjustments -----	Pro Forma -----
Liabilities and Stockholders' Equity:				
Current liabilities:				
Accounts payable	\$ 41,728	\$ 52,202	\$ --	\$ 93,930
Accrued expenses	76,309	33,975	4,500 (3)	114,784
Current portion of long-term debt	--	40,762	--	40,762
	-----	-----	-----	-----
Total current liabilities	118,037	126,939	4,500	249,476
Long-term debt	190,537	128,609	20,100 (4)	339,246
Accrued post- retirement benefits	230,114	83,503	(28,567) (5)	285,050
Accrued reclamation and mine closure	95,552	11,720	--	107,272
Accrued workers' compensation	69,448	22,696	--	92,144
Deferred income taxes	--	15,923	(15,923) (2)	--
Other noncurrent liabilities	27,873	20,790	(933) (6)	47,730
	-----	-----	-----	-----
	731,561	410,180	(20,823)	1,120,918
	-----	-----	-----	-----
Stockholders' equity:				
Convertible preferred stock	--	67,841	(67,841) (7)	--
Common stock	209	138	49 (8)	396
Paid-in capital	8,392	109,689	352,878 (9)	470,959
Retained earnings	132,445	242,262	(242,262) (10)	132,445
Less: treasury common stock at cost	--	(5,436)	5,436 (11)	--
	-----	-----	-----	-----
Total stock- holders' equity	141,046	414,494	48,260	603,800
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$872,607	\$824,674	\$27,437	\$1,724,718
	=====	=====	=====	=====

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

March 31, 1997
(in thousands, except per share data)

The purchase price of Ashland Coal and allocation of purchase price are as follows:

Ashland Coal Common Stock outstanding at March 31, 1997 (including Ashland Coal preferred stock, as if converted in the Merge	18,643
Purchase price per share.	\$ 24.50(12)
Purchase price of Ashland Coal	\$456,754
Fair value of options	6,000
Transaction related fees	4,500

Total purchase price	\$467,254 =====
Historical net book value of Ashland Coal at March 31, 1997	\$414,494
Adjustments for valuing Ashland Coal assets and liabilities:	
Prepaid royalties	(59,008)
Deferred income taxes	(40,254)
Other assets	(10,046)
Coal supply agreements	96,325
Property, plant and equipment	56,343
Long-term debt (current and noncurrent)	(20,100)
Accrued postretirement benefits other than pensions	28,567
Other long-term liabilities	933

Total purchase price	\$467,254 =====

(1) To adjust prepaid royalties, property, plant and equipment, coal supply agreements and other long-term assets, including interest rate swap agreements, to their estimated fair value. A substantial portion of the excess purchase price has been allocated to coal reserves principally because of higher productivities and technological advances that occurred since the acquisition of the coal reserves combined with the expectation of increased values of compliance and low-sulfur coal due to the Clean Air Act Amendments. The value assigned to coal supply agreements is associated with contracts signed in earlier years when spot market prices were higher versus the current spot market prices.

(2) To record deferred income taxes for the book and tax differences of the purchase accounting adjustments, and to reflect the reclassification of deferred income tax liability to deferred income tax asset.

(3) To record transaction related fees.

(4) To adjust long-term debt to estimated fair value based on current interest rates.

(5) To adjust the liability for postretirement benefits other than pensions to equal the accumulated projected benefit obligation.

(6) To eliminate the deferred gain on sale and leaseback of assets (\$2,119) and to increase the pension liability (\$1,186) to equal the projected benefit obligation in excess of plan assets.

(7) To reflect the conversion of preferred stock to common stock.

(8) To reflect the elimination of \$138 of Ashland Coal common stock and the addition of common stock issued by the Company (18,643 shares at \$.01 per share).

(9) To reflect the elimination of \$109,689 of Ashland Coal paid-in capital and the addition of paid-in capital resulting from the common stock and options issued by the Company totaling \$462,567.

(10) To eliminate retained earnings.

(11) To eliminate treasury stock.

(12) Represents the average market price of Ashland Coal common stock for several days before and after March 25, 1997, the date the parties agreed to the purchase price.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

Year Ended December 31, 1996
(in thousands, except per share data)

	Company Historical -----	Ashland Coal Historical -----	Pro Forma Adjustments -----	Pro Forma Combined -----
Revenues:				
Coal sales	\$750,123	\$565,174	\$ --	\$1,315,297
Other revenues	25,682	12,030	--	37,712
	-----	-----	-----	-----
	775,805	577,204	--	1,353,009
Costs and Expenses:				
Cost of coal sales	667,878	508,960	2,346(1)	1,179,184
Selling, general and administrative expenses	20,435	23,078	--	43,513
Amortization of coal supply agreements	12,604	3,786	13,933(2)	30,323
Other expenses	18,776	9,559	--	28,335
	-----	-----	-----	-----
Income from operations	56,112	31,821	(16,279)	71,654
Interest Expense, Net:				
Interest expense	(18,783)	(17,905)	4,957(3)	(31,731)
Interest income	1,191	417	--	1,608
	-----	-----	-----	-----
Income before income taxes	38,520	14,333	(11,322)	41,531
Provision (benefit) for income taxes	5,500	(2,180)	(4,415)(4)	(1,095)(5)
	-----	-----	-----	-----
Net income	33,020	16,513	(6,907)	42,626
Dividends on preferred stock	--	(2,810)	2,810(6)	--
	-----	-----	-----	-----
Income applicable to common stock	\$ 33,020	\$ 13,703	\$ (4,097)	\$ 42,626
	=====	=====	=====	=====

	Company Historical -----	Ashland Coal Historical -----	Pro Forma Adjustments -----	Pro Forma Combined -----
Earnings per common share:				
Primary	\$ 1.58 =====	\$.87 =====		\$ 1.07 =====
Fully diluted	\$ 1.58 =====	\$.86 =====		\$ 1.07 =====
Average shares outstanding	20,948	18,105(7)		39,660 (8)

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1996

(1) To record net charges associated with adjusting the fair value of prepaid royalties, property, plant and equipment, and other assets. Additions to property, plant and equipment, including coal reserves, is assumed to be depreciated or depleted over 15 years.

(2) To record net charges associated with adjusting the fair value of coal supply agreements with an average life of approximately seven years.

(3) To record the reduction in interest expense on \$152.9 million of fixed rate long-term debt to reflect current market interest rates (6.75% current rate versus average 9.75% stated rate) and a reduction in amortization of deferred debt issuance cost.

(4) To record the tax effect of 39% of the pro forma adjustments. The tax rate of 39% represents the combined federal and state statutory rates.

(5) The effective tax rate is substantially less than 39% primarily due to benefits derived from percentage depletion. The purchase price adjustments will not affect percentage depletion.

(6) To eliminate dividends related to the Ashland Coal preferred stock.

(7) Assumes conversion of preferred stock at a rate of 18,346 per share.

(8) Shares outstanding include 20,948 of Company shares outstanding as adjusted for the stock split, 18,643 shares issued to acquire Ashland Coal assuming conversion of preferred stock at a rate of 20,500 per share, and 69 shares related to stock options that are dilutive.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

Three Months Ended March 31, 1997
(in thousands, except per share data)

	Company Historical -----	Ashland Coal Historical -----	Pro Forma Adjustments -----	Pro Forma Combined -----
Revenues:				
Coal Sales	\$ 192,328	\$ 163,104	\$ --	\$ 355,432
Other revenues	5,091	3,504	--	8,595
	-----	-----	-----	-----
	197,419	166,608	--	364,027
Costs and Expenses:				
Cost of coal sales	171,623	136,627	587	308,837
Selling, general and administrative expenses	4,897	2,915	--	7,812
Amortization of coal supply agreements	2,116	1,037	3,483	6,636
Other expenses	2,470	7,303	--	9,773
	-----	-----	-----	-----
Income from operations	16,313	18,726	(4,070)	30,969
Interest Expense, Net:				
Interest expense	(3,553)	(4,034)	1,239	(6,348)
Interest income	260	72	--	332
	-----	-----	-----	-----
Income before income taxes	13,020	14,764	(2,831)	24,953
Provision for income taxes	2,600	2,480	(1,104)(4)	3,976(5)
	-----	-----	-----	-----
Net income	10,420	12,284	(1,727)	20,977
Dividends on preferred stock	--	(699)	699	--
	-----	-----	-----	-----
Income applicable to common stock	\$ 10,420	\$ 11,585	\$ (1,028)	\$ 20,977
	=====	=====	=====	=====
Earnings per common share:				

Primary	\$.50	\$.67	\$ 0.53
	=====	=====	=====
Fully diluted	\$.50	\$.65	\$ 0.53
	=====	=====	=====
Average shares outstanding	20,948	18,105(7)	39,660(8)
	=====	=====	=====

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1997

(1) To record net charges associated with adjusting the fair value of prepaid royalties, property, plant and equipment, and other assets. Additions to property, plant and equipment, including coal reserves, is assumed to be depreciated or depleted over 15 years.

(2) To record net charges associated with adjusting the fair value of coal supply agreements with an average life of approximately seven years.

(3) To record the reduction in interest expense on \$152.9 million of fixed rate long-term debt to reflect current market interest rates (6.75% current rate versus average 9.75% stated rate) and a reduction in amortization of deferred debt issuance cost.

(4) To record the tax effect of 39% of the pro forma adjustments. The tax rate of 39% represents the combined federal and state statutory rates.

(5) The effective tax rate is substantially less than 39% primarily due to benefits derived from percentage depletion.

(6) To eliminate dividends related to the Ashland Coal preferred stock.

(7) Assumes conversion of preferred stock at a rate of 18,346 per share.

(8) Shares outstanding include 20,948 of Company shares outstanding as adjusted for the stock split, 18,643 shares issued to acquire Ashland Coal assuming conversion of preferred stock at a rate of 20,500 per share and 69 shares related to stock options that are dilutive.

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 hereunto duly authorized.

Dated: July 15, 1997 ARCH COAL, INC.

By: /s/ Jeffry N. Quinn

Jeffry N. Quinn
Senior Vice President - Law
& Human Resources

EXHIBIT INDEX

Exhibit No.	Description	Sequential Page No.
-----	-----	-----
4.1	Credit Agreement dated as of July 1, 1997 by and among Arch Coal, Inc., the banks party thereto, PNC Bank, National Association, as Administrative and Syndication Agent and Morgan Guaranty Trust Company of New York, as Documentation and Syndication Agent.	
23.1	Consent of Ernst & Young LLP	

\$500,000,000 REVOLVING CREDIT FACILITY
CREDIT AGREEMENT

by and among

ARCH COAL, INC.

and

THE BANKS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION, as Administrative and Syndication Agent

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

as

Documentation and Syndication Agent

Dated as of July 1, 1997

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LIST OF SCHEDULES AND EXHIBITS

SCHEDULES

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- SCHEDULE 1.1(B) - COMMITMENTS OF REVOLVING CREDIT BANKS AND ADDRESSES FOR NOTICES
- SCHEDULE 5.1.2 - CERTAIN INFORMATION REGARDING CAPITALIZATION OF BORROWER AND ITS SUBSIDIARIES
- SCHEDULE 5.1.11 - CONSENTS AND APPROVALS

EXHIBITS

- EXHIBIT 1.1(A) - ASSIGNMENT AND ASSUMPTION AGREEMENT
- EXHIBIT 1.1(B) - BID NOTE
- EXHIBIT 1.1(D) - DESIGNATION AGREEMENT
- EXHIBIT 1.1(G)(1) - GUARANTOR JOINDER AND ASSUMPTION
- EXHIBIT 1.1(G)(2) - GUARANTY AGREEMENT
- EXHIBIT 1.1(R) - REVOLVING CREDIT NOTE
- EXHIBIT 1.1(S) - SWING LOAN NOTE
- EXHIBIT 2.4.1 - COMMITTED LOAN REQUEST
- EXHIBIT 2.4.2 - SWING LOAN REQUEST
- EXHIBIT 2.9.1 - BID LOAN REQUEST
- EXHIBIT 4.4.4 - COMMITMENT REDUCTION NOTICE
- EXHIBIT 6.1.4 - OPINION OF COUNSEL
- EXHIBIT 7.3.3 - QUARTERLY COMPLIANCE CERTIFICATE

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of July 1, 1997, and is made by and among ARCH COAL, INC., a Delaware corporation (the "Borrower"), the BANKS (as hereinafter defined), MORGAN GUARANTY TRUST COMPANY OF NEW YORK, in its capacity as documentation and syndication agent, and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative and syndication agent for the Banks under this Agreement.

WITNESSETH:

WHEREAS, the Borrower has requested the Banks to provide a revolving credit facility to the Borrower in an aggregate principal amount not to exceed \$500,000,000;

WHEREAS, the revolving credit facility shall be used to refinance certain indebtedness under the Existing Credit Facilities, as hereinafter provided, and for general corporate purposes; and

WHEREAS, the Banks are willing to provide such credit upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. CERTAIN DEFINITIONS

1.1. CERTAIN DEFINITIONS.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

ADMINISTRATIVE AGENT shall mean PNC Bank, National Association, and its successors and assigns.

ADMINISTRATIVE AGENT'S FEE shall have the meaning assigned to that term in Section 9.15.

ADMINISTRATIVE AGENT'S LETTER shall have the meaning assigned to that term in Section 9.15.

AFFILIATE as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such

Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Control, as used in this definition, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

AGENTS shall mean collectively the Administrative Agent and Morgan Guaranty Trust Company of New York, and its successors and assigns and AGENT shall mean either of the Agents, individually.

AGREEMENT shall mean this Credit Agreement, as the same may be supplemented or amended from time to time, including all schedules and exhibits.

ANNUAL STATEMENTS shall have the meaning assigned to that term in Section 5.1.7(i).

APPLICABLE FACILITY FEE RATE shall mean the percentage rate per annum at the indicated level (i) of Leverage Ratio for any period during which a Debt Rating is not in effect; or (ii) of Debt Rating, for any period a Debt Rating is in effect, in either case as set forth in the pricing grid on SCHEDULE 1.1(A) below the heading "Facility Fee." The Applicable Facility Fee Rate shall be computed in accordance with the parameters set forth on SCHEDULE 1.1(A).

APPLICABLE LETTER OF CREDIT FEE RATE shall mean the rate per annum at the indicated level of (i) of Leverage Ratio for any period during which a Debt Rating is not in effect, or (ii) Debt Rating, for any period a Debt Rating is in effect, in either case as set forth in the pricing grid on Schedule 1.1(A) below the heading "Letter of Credit Fee." The Applicable Letter of Credit Fee Rate shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

APPLICABLE MARGIN shall mean, as applicable, the percentage spread to be added to Euro-Rate under the Revolving Credit Euro-Rate Option at the indicated level (i) of Leverage Ratio for any period during which a Debt Rating is not in effect; or (ii) of Debt Rating, for any period a Debt Rating is in effect, in either case as set forth in the pricing grid on SCHEDULE 1.1(A) below the heading "Revolving Credit Euro-Rate Spread."

ASSIGNEE BANK shall have the meaning assigned to such term in Section 2.11.2.

ASSIGNMENT AND ASSUMPTION AGREEMENT shall mean an Assignment and Assumption Agreement by and among a Purchasing Bank, a Transferor Bank and the Administrative Agent, as agent and on behalf of the remaining Banks, substantially in the form of EXHIBIT 1.1(A).

AUTHORIZED OFFICER shall mean those individuals, designated by written notice to the Administrative Agent from the Borrower, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrower may amend such list of individuals from time to time by giving written notice of such amendment to the Administrative Agent.

BANK TO BE TERMINATED shall have the meaning assigned to such term in Section 2.11.2.

BANKS shall mean each of the Revolving Credit Banks and each of the Designated Lenders.

BASE RATE shall mean the greater of (i) the interest rate per annum announced from time to time by the Administrative Agent at its Principal Office as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Administrative Agent, or (ii) the Federal Funds Effective Rate plus 1/2% per annum.

BENEFIT ARRANGEMENT shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by any member of the ERISA Group.

BID shall have the meaning assigned to such term in Section 2.9.2.

BID LOAN BORROWING DATE shall mean, with respect to any Bid Loan, the date for the making thereof which shall be a Business Day.

BID LOAN EURO-RATE RATE OPTION shall mean the option of the Borrower to request that the Banks submit Bids to make Bid Loans bearing interest at a rate per annum quoted by such Banks at the Euro-Rate in effect two Business Days before the Borrowing Date of such Bid Loan plus a Euro-Rate Bid Loan Spread.

BID LOAN FIXED RATE OPTION shall mean the option of the Borrower to request that the Revolving Credit Banks submit Bids to make Bid Loans bearing interest at a fixed rate per annum quoted by such Revolving Credit Banks as a numerical percentage (and not as a spread over another rate such as the Euro-Rate).

BID LOAN INTEREST PERIOD shall have the meaning assigned to such term in Section 2.9.1.

BID LOAN PROCESSING FEE shall have the meaning assigned to such term in Section 9.15.

BID LOAN REQUEST shall have the meaning assigned to such term in Section 2.9.1.

BID LOANS shall mean collectively and BID LOAN shall mean separately all of the Bid Loans or any Bid Loan made by any of the Revolving Credit Banks to the Borrower pursuant to Sections 2.9.

BID NOTES shall mean collectively and BID NOTE shall mean separately all of the Bid Notes of the Borrower in the form of EXHIBIT 1.1(B) evidencing the Bid Loans together with all amendments, extensions, renewals, replacements, refinancings or refunds thereof in whole or in part.

BORROWER shall mean Arch Coal, Inc., a corporation organized and existing under the laws of the State of Delaware. The Borrower was originally incorporated under the name of Arch Mineral Corporation, a Delaware corporation and prior to the consummation of the Merger changed its name to Arch Coal, Inc..

BORROWER SHARES shall have the meaning set forth in Section 5.1.2.

BORROWING DATE shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

BORROWING TRANCHE shall mean specified portions of Loans outstanding as follows: (i) any Loans to which either a Euro-Rate Option or a Bid Loan Fixed Rate Option applies which become subject to the same Interest Rate Option under the same Loan Request by the Borrower and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Loans to which a Base Rate applies shall constitute one Borrowing Tranche.

BUSINESS DAY shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Pittsburgh, Pennsylvania and New York, New York; and if the applicable Business Day relates to any Loan to which the Euro-Rate Option applies, such day must also be a day on which dealings are carried on in the London interbank market.

CLOSING DATE shall mean the Business Day on which the first Loan shall be made, which shall be July 1, 1997.

COMMERCIAL LETTER OF CREDIT shall mean any Letter of Credit which is a commercial letter of credit issued in respect of the purchase of goods or services by one or more of the Loan Parties in the ordinary course of their business.

COMMITMENT shall mean as to any Revolving Credit Bank its Revolving Credit Commitment and, in the case of PNC Bank, its Swing Loan Commitment, and COMMITMENTS shall mean the aggregate of the Revolving Credit Commitments and Swing Loan Commitment of all of the Revolving Credit Banks.

COMMITTED LOAN shall mean either a Revolving Credit Loan or a Swing Loan.

COMMITTED LOAN INTEREST PERIOD shall have the meaning set forth in Section 3.2.

COMMITTED LOAN REQUEST shall mean a request for a Revolving Credit Loan or a Swing Loan or a request to select, convert to or renew a Revolving Credit Base Rate Option or Revolving Credit Euro-Rate Option with respect to an outstanding Revolving Credit Loan in accordance with Sections 2.4, 3.1 and 3.2.

COMMITMENT REDUCTION NOTICE shall have the meaning set forth in Section 4.4.4.

CONSOLIDATED CAPITALIZATION shall mean as of any date of determination, for the Borrower and its Subsidiaries as of such date, determined and consolidated in accordance with GAAP, the sum of (i) total stockholders' equity, and (ii) Consolidated Debt.

CONSOLIDATED DEBT shall mean as of any date of determination the aggregate of the following for the Borrower and its Subsidiaries, as of such date, determined and consolidated in accordance with GAAP: (i) all indebtedness for borrowed money (including, without limitation, all subordinated indebtedness), (ii) all amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) all indebtedness in respect of any other transaction (including production payments (excluding royalties), installment purchase agreements, forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements, and (iv) the amount of all indebtedness (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) in respect of all Guarantees of indebtedness for borrowed money. It is expressly agreed that the amount of the indebtedness in respect of the Guaranty by the Borrower of the Port Bond shall be excluded from the amount determined under clause (iv) of the previous sentence. Further, it is expressly agreed that the difference between actual funded indebtedness and the fair market value of funded indebtedness recorded as required by Accounting Principles Board Opinion No. 16 (as in effect on the Closing Date) will be excluded from Indebtedness in the determination of Consolidated Debt.

CONSOLIDATED EBITDA for any period of determination shall mean the sum of income from operations before the effect of changes in accounting principles and extraordinary items, depreciation, amortization, depletion, net interest expense and income taxes, in each case of the Borrower and its Subsidiaries for such period determined and consolidated in accordance with GAAP.

DEBT RATING shall mean the rating of the Borrower's senior unsecured long-term debt by either of Standard & Poor's or Moody's.

DELIVERY DATE shall mean the earlier of (i) the date on which the Borrower delivers its consolidated financial statements pursuant to Sections 7.3.1 and 7.3.2, or (ii) one Business Day following the date on which such financial statements are due to be delivered pursuant to such Sections.

DESIGNATED LENDER shall mean any Person who has been designated by a Bank to fund Bid Loans and has executed a Designation Agreement and thereby becomes a party to this Agreement pursuant to Section 10.11.3.1.

DESIGNATING BANK shall have the meaning assigned to such term in Section 10.11.3.1.

DESIGNATION AGREEMENT means a designation agreement entered into by a Bank and a Designated Lender and accepted by the Administrative Agent, in substantially the form of EXHIBIT 1.1(D).

DOLLAR, DOLLARS, U.S. DOLLARS and the symbol \$ shall mean lawful money of the United States of America.

DRAWING DATE shall have the meaning assigned to that term in Section 2.10.3.2.

ENVIRONMENTAL CLAIM shall mean any administrative, regulatory or judicial action, suit, claim, notice of non-compliance or violation, notice of liability or potential liability, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit, Regulated Substances or Hazardous Substances or arising from alleged injury or threat of injury to health, safety or the environment.

ENVIRONMENTAL LAW shall mean any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to the environment, health, safety or any release or disposal of or contamination by Hazardous Substances.

ENVIRONMENTAL PERMIT shall mean any permit, approval, license or other authorization required under any Environmental Law.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA GROUP shall mean, at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

EURO-RATE shall mean, with respect to the Loans comprising any Borrowing Tranche to which the Euro-Rate Option applies for any Interest Period, the interest rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upward to the nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Administrative Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank offered rates of interest per annum for U.S. Dollars set forth on Telerate display page 3750 or such other display page on the Telerate System as may replace such page to evidence the average of rates quoted by banks designated by the British Bankers' Association (or appropriate successor or, if the British Bankers' Association or its successor ceases to provide such quotes, a comparable replacement determined by the Administrative Agent) two (2) Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\text{Telerate page 3750 quoted by British Bankers' Association or appropriate successor}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

The Euro-Rate shall be adjusted with respect to any Euro-Rate Option outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Administrative Agent shall give prompt notice to the Borrower and the Banks of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

EURO-RATE BID LOAN shall mean any Bid Loan that bears interest under the Bid Loan Euro-Rate Option.

EURO-RATE BID LOAN SPREAD shall mean the spread quoted by a Revolving Credit Bank in its Bid to apply to such Revolving Credit Bank's Bid Loan if such Revolving Credit Bank's Bid is accepted. The Euro-Rate Bid Loan Spread shall be quoted as a percentage rate per annum and expressed in multiples of 1/1000th of one percentage point to be either added to (if it is positive) or subtracted from (if it is negative) the Euro-Rate in effect two (2) Business Days before the Borrowing Date with respect to such Bid Loan. Interest on Euro-Rate Bid Loans shall be computed based on a year of 360 days and actual days elapsed.

EURO-RATE INTEREST PERIOD shall mean the Interest Period applicable to a Euro-Rate Loan.

EURO-RATE OPTION shall mean either the Revolving Credit Euro-Rate Option or the Bid Loan Euro-Rate Option.

EURO-RATE RESERVE PERCENTAGE shall mean the maximum percentage (expressed as a decimal rounded upward to the nearest 1/100 of 1%) as determined by the Administrative Agent which is in effect during any relevant period, as prescribed by the Board

of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities") of a member bank in such System.

EVENT OF DEFAULT shall mean any of the events described in Section 8.1 and referred to therein as an "Event of Default."

EXISTING CREDIT FACILITIES shall mean: (i) that certain Credit Agreement among Arch Mineral Corporation, as borrower, the banks named therein, and PNC Bank as agent, dated as of November 21, 1994, as amended, providing for a \$200,000,000 credit facility, and (ii) that certain Amended and Restated Credit Agreement among Ashland Coal, Inc., the banks named therein, and National Westminster Bank PLC, as coordinating and administrative agent, dated as of November 15, 1994, as amended, providing for a \$500,000,000 credit facility.

EXPIRATION DATE shall mean, with respect to the Commitments, June 30, 2002.

EXTENDING BANK shall have the meaning assigned to such term in Section 2.11.2.

FACILITY FEE shall mean the fee referred to in Section 2.3.

FEDERAL FUNDS EFFECTIVE RATE for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; PROVIDED, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

FIXED RATE shall mean a fixed interest rate quoted by a Revolving Credit Bank in its Bid to apply to such Revolving Credit Bank's Bid Loan over the term of such Bid Loan if such Revolving Credit Bank's Bid is accepted.

FIXED RATE BID LOAN shall mean a Bid Loan that bears interest under the Bid Loan Fixed Rate Option.

FRONTING FEE shall have the meaning assigned to that term in Section 2.10.2.

GAAP shall mean Generally Accepted Accounting Principles as are in effect from time to time, subject to the provisions of Section 1.3, and applied on a consistent basis both as to classification of items and amounts.

GOVERNMENTAL ACTS shall have the meaning assigned to that term in Section 2.10.8.

GUARANTOR shall mean at any time each of the Significant Subsidiaries of the Borrower.

GUARANTOR JOINDER shall mean a joinder by a Person as a Guarantor under the Guaranty Agreement in the form of EXHIBIT 1.1(G)(1).

GUARANTY of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any such liability arising by virtue of partnership agreements, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

GUARANTY AGREEMENT shall mean the Guaranty and Suretyship Agreement in substantially the form of EXHIBIT 1.1(G)(2) executed and delivered by each of the Guarantors to the Administrative Agent for the benefit of the Banks.

HAZARDOUS SUBSTANCES shall mean petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, radon gas and any hazardous or solid waste, hazardous substance or chemical substance, as such terms are defined under the Resource Conservation and Recovery Act (42 U.S.C. Sections 4901 ET SEQ.), the comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Sections 9601 ET SEQ.), the Toxic Substances Control Act (15 U.S.C. Sections 2601 ET SEQ.) or any similar state law.

HISTORICAL STATEMENTS shall have the meaning assigned to that term in Section 5.1.7(i).

INDEBTEDNESS shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including production payments (excluding royalties), installment purchase agreements, forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial

effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than thirty (30) days past due), or (v) any Guaranty of any such Indebtedness.

INELIGIBLE SECURITY shall mean any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

INSOLVENCY PROCEEDING shall mean, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors; undertaken under any Law.

INTEREST PERIOD shall mean either a Committed Loan Interest Period or a Bid Loan Interest Period.

INTEREST RATE OPTION shall mean any Revolving Credit Euro-Rate Option, Bid Loan Euro-Rate Option, Bid Loan Fixed Rate Option or Revolving Credit Base Rate Option.

INTERIM STATEMENTS shall have the meaning assigned to that term in Section 5.1.7(i).

INTERNAL REVENUE CODE shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ISSUING BANK shall mean, with respect to a Letter of Credit, including any replacements therefor or extensions thereof, the Revolving Credit Bank which is the issuer thereof.

INVESTMENTS shall mean collectively all of the following with respect to any person: (i) investments or contributions by any of the Loan Parties or their Subsidiaries directly or indirectly in or to the capital of or other payments to (except in connection with transactions for the sale of goods or services for fair value in the ordinary course of business) such person, (ii) loans by any of the Loan Parties or their Subsidiaries to such person, (iii) guaranties by any Loan Party or any Subsidiary of any Loan Party directly or indirectly of the obligations of such person, or (iv) other obligations, contingent or otherwise, of any Loan Party or any Subsidiary of any Loan Party to or for the benefit of such person. If the nature of an

Investment is tangible property then the amount of such Investment shall be determined by valuing such property at fair value in accordance with the past practice of the Loan Parties and such fair values shall be satisfactory to the Administrative Agent, in its sole discretion.

LABOR CONTRACTS shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among any Loan Party or Subsidiary of a Loan Party and its employees.

LAW shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree or award of any Official Body.

LETTER OF CREDIT shall have the meaning assigned to that term in Section 2.10.1.

LETTER OF CREDIT BORROWING shall mean an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made and shall not have been converted into a Revolving Credit Loan under Section 2.10.3.2.

LETTER OF CREDIT FEE shall have the meaning assigned to that term in Section 2.10.2.

LETTERS OF CREDIT OUTSTANDING shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Letters of Credit and (ii) the aggregate amount of all unpaid and outstanding Reimbursement Obligations.

LEVERAGE RATIO shall mean the ratio of Consolidated Debt (as the numerator) to Consolidated Capitalization (as the denominator), expressed as a percentage.

LIEN shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

LLC INTERESTS shall have the meaning given to such term in Section 5.1.2.

LOAN DOCUMENTS shall mean this Agreement, the Administrative Agent's Letter, the Guaranty Agreement, and any other instruments, certificates or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, and LOAN DOCUMENT shall mean any of the Loan Documents.

LOAN PARTIES shall mean the Borrower and the Guarantors.

LOAN REQUEST shall mean either a Bid Loan Request or a Committed Loan Request.

LOANS shall mean collectively and LOAN shall mean separately all Revolving Credit Loans, Swing Loans and Bid Loans or any Revolving Credit Loan, Swing Loan or Bid Loan.

MATERIAL ADVERSE CHANGE shall mean any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or could reasonably be expected to be materially adverse to the business, financial condition or results of operations of the Loan Parties taken as a whole, (c) impairs materially or could reasonably be expected to impair materially the ability of the Loan Parties taken as a whole to duly and punctually pay or perform its Indebtedness, or (d) impairs materially or could reasonably be expected to impair materially the ability of any Agent or any of the Banks, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

MERGER shall mean the merger of Ashland Coal, Inc., a Delaware corporation, with and into AMC Merger Corporation, a Delaware corporation and a wholly-owned Subsidiary of the Borrower, with Ashland Coal, Inc. as the surviving entity of such transaction, all in accordance with the Merger Agreement and the other Merger Documents.

MERGER AGREEMENT shall mean that certain Agreement and Plan of Merger, dated as of April 4, 1997, by and among Ashland Coal, Inc., Arch Mineral Corporation and AMC Merger Corporation.

MERGER DOCUMENTS shall mean the Merger Agreement and all other agreements, consents, articles of merger, resolutions, approvals, licenses, assignments, certificates, deeds, assumption agreements, instruments, registrations or filings with the SEC and other documents in connection with or relating to the Merger, as the same may hereafter be amended from time to time.

MONTH, with respect to an Interest Period under the Euro-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any Euro-Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

MOODY'S shall mean Moody's Investors Service, Inc. and its successors.

MORGAN shall mean Morgan Guaranty Trust Company of New York, its successors and assigns.

MULTIEMPLOYER PLAN shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

MULTIPLE EMPLOYER PLAN shall mean a Plan which has two or more contributing sponsors (including the Borrower or any member of the ERISA Group) at least two of whom are not under common control, as such a plan is described in Sections 4063 and 4064 of ERISA.

NOTES shall mean the Revolving Credit Notes, Swing Loan Notes and Bid Notes, if any.

NOTICES shall have the meaning assigned to that term in Section 10.6.

OBLIGATION shall mean any obligation or liability of any of the Loan Parties to any Agent or any of the Banks, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with this Agreement, any Notes, the Letters of Credit, the Administrative Agent's Letter or any other Loan Document.

OFFERED AMOUNT shall have the meaning assigned to such term in Section 2.9.2.

OFFICIAL BODY shall mean any national, federal, state, local or other government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

PARTICIPATION ADVANCE shall mean, with respect to any Bank, such Bank's payment in respect of its participation in a Letter of Credit Borrowing according to its Ratable Share pursuant to Section 2.10.4.

PARTNERSHIP INTERESTS shall have the meaning given to such term in Section 5.1.2.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

PERMITTED ACQUISITIONS shall have the meaning assigned to such term in Section 7.2.3.

PERMITTED LIENS shall mean:

(i) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of reclamation liabilities, worker's compensation, or to participate in any fund in connection with worker's compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default;

(iv) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business (it being understood that any appeal or similar bond (other than such a bond required pursuant to applicable Law to secure in the ordinary course payment of worker's compensation or reclamation liabilities) in an amount exceeding \$50,000,000 shall not be in the ordinary course of business);

(v) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens on property leased by any Loan Party or Subsidiary of a Loan Party under capital or operating leases (in either case, as the nature of such lease is determined in accordance with GAAP) securing obligations of such Loan Party or Subsidiary to the lessor under such leases;

(vii) Purchase Money Security Interests; and

(viii) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and they do not in the aggregate materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, PROVIDED that the applicable Loan Party

maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits;

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens; or

(4) Liens resulting from judgments or orders described in Section 8.1.6.

PERSON shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

PLAN shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group.

PNC BANK shall mean PNC Bank, National Association, its successors and assigns.

PORT BOND shall mean collectively, those certain Coal Terminal Revenue Refunding Bonds (Dominion Terminal Associates Project), Series 1987-A, B, C and D Bonds issued by Peninsula Ports Authority of Virginia, a political subdivision of the Commonwealth of Virginia, in the face amount of \$89,600,000, together with any renewals thereof or replacements therefor so long as the face amount thereof is not in excess of \$89,600,000.

POTENTIAL DEFAULT shall mean any event or condition which with notice, passage of time or a determination by the Administrative Agent or the Required Banks, or any combination of the foregoing, would constitute an Event of Default.

PRINCIPAL OFFICE shall mean the main banking office of the Administrative Agent in Pittsburgh, Pennsylvania.

PRIVATE PLACEMENT AGREEMENTS shall mean collectively, (a) that certain Note Agreement for \$50,000,000 of 7.79% Senior Notes of Arch Mineral Corporation, due January 31, 2003, as amended, (b) that certain Note Agreement for \$52,900,000 of 9.66% Senior

Notes of Ashland Coal, Inc., due May 15, 2006, as amended, and (c) that certain Note Agreement for \$100,000,000 of 9.78% Senior Notes of Ashland Coal, Inc., due September 15, 2000, as amended.

PROHIBITED TRANSACTION shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

PROPERTY shall mean all real property, both owned and leased, of any Loan Party or Subsidiary of a Loan Party.

PURCHASE MONEY SECURITY INTEREST shall mean Liens upon tangible personal property securing loans to any Loan Party or Subsidiary of a Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such tangible personal property.

PURCHASING BANK shall mean a Revolving Credit Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

RATABLE SHARE shall mean the proportion that a Revolving Credit Bank's Commitment (excluding the Swing Loan Commitment) bears to the Commitments (excluding the Swing Loan Commitments) of all of the Revolving Credit Banks.

REGULATED SUBSTANCES shall mean any substance, the generation, manufacture, extraction, processing, distribution, treatment, storage, disposal, transport, recycling, reclamation, use, reuse, spilling, leaking, dumping, injection, pumping, leaching, emptying, discharge, escape, release or other management or mismanagement of which is regulated by the Environmental Laws.

REGULATION U shall mean Regulation U, T, G or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

REIMBURSEMENT OBLIGATION shall have the meaning assigned to such term in Section 2.10.3.2.

REPORTABLE EVENT shall mean a reportable event described in Section 4043 of ERISA and regulations thereunder with respect to a Plan or Multiemployer Plan.

REQUESTED AMOUNT shall have the meaning assigned to such term in Section 2.9.1.

REQUIRED BANKS shall mean

(A) if there are no Revolving Credit Loans, Reimbursement Obligations or Letter of Credit Borrowings outstanding, Required Banks shall mean Revolving Credit Banks whose Commitments (excluding the Swing Loan Commitments) aggregate at least 51% of the Commitments (excluding the Swing Loan Commitments) of all of the Banks, or

(B) if there are Revolving Credit Loans, Reimbursement Obligations, or Letter of Credit Borrowings outstanding, Required Banks shall mean:

(i) prior to a termination of the Commitments hereunder pursuant to Section 8.2.1 or 8.2.2, any Revolving Credit Bank or group of Revolving Credit Banks if the sum of the Committed Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings of such Revolving Credit Banks then outstanding aggregates at least 51% of the total principal amount of all of the Committed Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings then outstanding; and

(ii) after the earlier of the date on which the Commitments are terminated hereunder pursuant to Section 8.2.1 or 8.2.2 or the date on which Revolving Credit Loans or any other Indebtedness of the Borrower to the Revolving Credit Banks shall have become due and payable pursuant to such Sections, "Required Banks" shall mean Banks whose outstanding Revolving Credit Loans and Ratable Share in the face amount of outstanding Letters of Credit and Reimbursement Obligations aggregate at least 51% of the total principal amount of all of the Revolving Credit Loans, Reimbursement Obligations and Letter of Credit Borrowings then outstanding.

Reimbursement Obligations and Letter of Credit Borrowings shall be deemed, for purposes of this definition, to be in favor of the Issuing Bank and not a participating Revolving Credit Bank if such Revolving Credit Bank has not made its Participation Advance in respect thereof and shall be deemed to be in favor of such Revolving Credit Bank to the extent of its Participation Advance if it has made its Participation Advance in respect thereof.

REQUIRED SHARE shall have the meaning assigned to such term in Section 4.7.

REVOLVING CREDIT BANKS shall mean the financial institutions named on SCHEDULE 1.1(B) and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a "Revolving Credit Bank."

REVOLVING CREDIT BASE RATE OPTION shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(i).

REVOLVING CREDIT COMMITMENT shall mean, as to any Revolving Credit Bank at any time, the amount initially set forth opposite its name on SCHEDULE 1.1(B) in the column labeled "Amount of Commitment for Revolving Credit Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement, and REVOLVING CREDIT COMMITMENTS shall mean the aggregate Revolving Credit Commitments of all of the Revolving Credit Banks.

REVOLVING CREDIT EURO-RATE OPTION shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(ii).

REVOLVING CREDIT LOANS shall mean collectively and REVOLVING CREDIT LOAN shall mean separately all Revolving Credit Loans or any Revolving Credit Loan made by the Revolving Credit Banks or one of the Revolving Credit Banks to the Borrower pursuant to Section 2.1 or 2.10.3. A Bid Loan is not a Revolving Credit Loan, except that it will be treated as a Revolving Credit Loan following a termination of the Commitments hereunder pursuant to Section 8.2.1 or 8.2.2 as provided in Section 8.3.

REVOLVING CREDIT NOTE shall mean any Revolving Credit Note of the Borrower in the form of EXHIBIT 1.1(R) issued by the Borrower at the request of a Bank pursuant to Section 4.6 evidencing the Revolving Credit Loans to such Bank, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

REVOLVING FACILITY USAGE shall mean at any time the sum of the Revolving Credit Loans outstanding, the Bid Loans outstanding, the Swing Loans outstanding and the Letters of Credit Outstanding.

SEC shall mean the Securities and Exchange Commission or any governmental agencies substituted therefor.

SECTION 20 SUBSIDIARY shall mean the Subsidiary of the bank holding company controlling any Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

SETTLEMENT DATE shall mean each Business Day on which the Administrative Agent effects settlement pursuant to Section 4.7.

SIGNIFICANT SUBSIDIARY shall mean any Subsidiary of Borrower which at any time (i) has gross revenues equal to or in excess of five percent (5%) of the gross revenues of the Borrower and its Subsidiaries on a consolidated basis, or (ii) has total assets equal to or in excess of five percent (5%) of the total assets of the Borrower and its Subsidiaries, in either case, as determined and consolidated in accordance with GAAP.

STANDARD & POOR'S shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

STANDBY LETTER OF CREDIT shall mean a Letter of Credit issued to support obligations of one or more of the Loan Parties, contingent or otherwise, which finance the working capital and business needs of the Loan Parties incurred in the ordinary course of business.

SUBSIDIARY of any Person at any time shall mean (i) any corporation or trust of which 50% or more (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, (ii) any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, (iii) any limited liability company of which such Person is a member or of which 50% or more of the limited liability company interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries or (iv) any corporation, trust, partnership, limited liability company or other entity which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries.

SUBSIDIARY SHARES shall have the meaning assigned to that term in Section 5.1.2.

SUPERMAJORITY REQUIRED BANKS shall mean:

(A) if there are no Revolving Credit Loans, Reimbursement Obligations or Letter of Credit Borrowings outstanding, Supermajority Required Banks shall mean Revolving Credit Banks whose Commitments (excluding the Swing Loan Commitments) aggregate at least 80% of the Commitments (excluding the Swing Loan Commitments) of all of the Banks, or

(B) if there are Revolving Credit Loans, Reimbursement Obligations, or Letter of Credit Borrowings outstanding, Supermajority Required Banks shall mean:

(i) prior to a termination of the Commitments hereunder pursuant to Section 8.2.1 or 8.2.2, any Revolving Credit Bank or group of Revolving Credit Banks if the sum of the Committed Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings of such Revolving Credit Banks then outstanding aggregates at least 80 % of the total principal amount of all of the Committed Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings then outstanding; and

(ii) after the earlier of the date on which the Commitments are terminated hereunder pursuant to Section 8.2.1 or 8.2.2 or the date on which Revolving Credit Loans or any other Indebtedness of the Borrower to the Revolving Credit Banks shall have become due and payable pursuant to such Sections, "Supermajority Required Banks" shall mean Banks whose outstanding Revolving Credit Loans and Ratable Share in the face amount of outstanding Letters of Credit and Reimbursement Obligations aggregate at least 80% of the total principal amount of all of the Revolving Credit Loans, Reimbursement Obligations and Letter of Credit Borrowings then outstanding.

Reimbursement Obligations and Letter of Credit Borrowings shall be deemed, for purposes of this definition, to be in favor of the Issuing Bank and not a participating Revolving Credit Bank if such Revolving Credit Bank has not made its Participation Advance in respect thereof and shall be deemed to be in favor of such Revolving Credit Bank to the extent of its Participation Advance if it has made its Participation Advance in respect thereof.

SWING LOAN COMMITMENT shall mean PNC Bank's commitment to make Swing Loans to the Borrower pursuant to Section 2.4 hereof, in an aggregate principal amount up to \$ 25,000,000.

SWING LOAN NOTE shall mean the Swing Loan Note of the Borrower in the form of EXHIBIT 1.1(S) evidencing the Swing Loans, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

SWING LOAN REQUEST shall mean a request for Swing Loans made in accordance with Section 2.4.2 hereof.

SWING LOANS shall mean collectively and SWING LOAN shall mean separately all Swing Loans or any Swing Loan made by PNC Bank to the Borrower pursuant to Section 2.5.

SYNDICATION DATE shall mean a date after the Closing Date which is selected by the Administrative Agent and notice of which is given by the Administrative Agent to the Borrower at least five (5) Business Days prior thereto.

TRANSFEROR BANK shall mean the selling Revolving Credit Bank pursuant to an Assignment and Assumption Agreement.

1.2. CONSTRUCTION.

Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

1.2.1 NUMBER; INCLUSION.

references to the plural include the singular, the plural, the part and the whole; "or" has the inclusive meaning represented by the phrase "and/or," and "including" has the meaning represented by the phrase "including without limitation";

1.2.2 DETERMINATION.

references to "determination" of or by the Administrative Agent or the Banks shall be deemed to include good-faith estimates by the Administrative Agent or the Banks (in the case of quantitative determinations) and good-faith beliefs by the Administrative Agent or the Banks (in the case of qualitative determinations) and such determination shall be conclusive absent manifest error;

1.2.3 ADMINISTRATIVE AGENT'S DISCRETION AND CONSENT.

whenever the Administrative Agent or the Banks are granted the right herein to act in its or their sole discretion or to grant or withhold consent such right shall be exercised in good faith;

1.2.4 DOCUMENTS TAKEN AS A WHOLE.

the words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document;

1.2.5 HEADINGS.

the section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any), preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the construction of this Agreement or such other Loan Document or the interpretation thereof in any respect;

1.2.6 IMPLIED REFERENCES TO THIS AGREEMENT.

article, section, subsection, clause, schedule and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified;

1.2.7 PERSONS.

reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity;

1.2.8 MODIFICATIONS TO DOCUMENTS.

reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated;

1.2.9 FROM, TO AND THROUGH.

relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; and

1.2.10 SHALL; WILL.

references to "shall" and "will" are intended to have the same meaning.

1.3. ACCOUNTING PRINCIPLES.

Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; PROVIDED, HOWEVER, that all accounting terms used in Section 7.2 [Negative Covenants] (and all defined terms used in the definition of any accounting term used in Section 7.2 shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the Annual Statements referred to in Section 5.1.7(i) [Historical Statements]. In the event of any change after the date hereof in GAAP, and if such change would result in the inability to determine compliance with the financial covenants set forth in Section 7.2 based upon the Borrower's regularly prepared financial statements by reason of the preceding sentence, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would not affect the substance thereof, but would allow compliance therewith to be determined in accordance with the Borrower's financial statements at that time.

2. REVOLVING CREDIT AND SWING LOAN FACILITIES

2.1. REVOLVING CREDIT COMMITMENTS.

2.1.1 REVOLVING CREDIT LOANS.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Revolving Credit Bank severally agrees to make Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Expiration Date provided that (subject to Section 2.9.1 with respect to taking into account outstanding Bid Loans) after giving effect to such Revolving Credit Loan the aggregate amount of Revolving Credit Loans from such Revolving Credit Bank shall not exceed such Revolving Credit Bank's Revolving Credit Commitment minus such Revolving Credit Bank's Ratable Share of the Letters of Credit Outstanding. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.

2.1.2 SWING LOAN COMMITMENT.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, PNC Bank agrees to make Swing Loans (the "Swing Loans") to the Borrower at any time or from time to time after the date hereof to, but not including, the Expiration Date, in an aggregate principal amount of up to but not in excess of \$25,000,000 (the "Swing Loan Commitment"), provided that the Revolving Facility Usage, at any time, shall not exceed the Revolving Credit Commitments of all the Revolving Credit Banks. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.2.

2.2. NATURE OF BANKS' OBLIGATIONS WITH RESPECT TO REVOLVING CREDIT LOANS.

Each Revolving Credit Bank shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.4 [Revolving Credit Loan Requests, Etc.] in accordance with its Ratable Share. The aggregate of each Revolving Credit Bank's Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Revolving Credit Commitment minus its Ratable Share of the Letters of Credit Outstanding. The obligations of each Revolving Credit Bank hereunder are several. The failure of any Revolving Credit Bank to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Revolving Credit Bank to perform its obligations hereunder. The Revolving Credit Banks shall have no obligation to make Revolving Credit Loans hereunder on or after the Expiration Date.

2.3. REVOLVING CREDIT FACILITY FEE.

Accruing from the date hereof until the Expiration Date, the Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Bank, as consideration for such Bank's Revolving Credit Commitment hereunder, a nonrefundable facility fee (the "Facility Fee") equal to the Applicable Facility Fee Rate computed (on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) on the amount of such Revolving Credit Bank's Revolving Credit Commitment as the same may be constituted from time to time. All Facility Fees shall be payable in arrears on the first Business Day of each July, October, January and April after the date hereof and on the Expiration Date or upon acceleration of the Loans.

2.4. REVOLVING CREDIT LOAN REQUESTS; SWING LOAN REQUESTS.

2.4.1 REVOLVING CREDIT LOAN REQUESTS.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Revolving Credit Banks to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 3.2 [Interest Periods], by delivering to the Administrative Agent, not later than 10:00 a.m., Pittsburgh time, (i) three (3) Business Days prior to the

proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the Euro-Rate Option applies or the conversion to or the renewal of the Euro-Rate Option for any Revolving Credit Loans; and (ii) one (1) Business Day prior to either the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Revolving Credit Base Rate Option applies or the last day of the preceding Committed Loan Interest Period with respect to the conversion to the Revolving Credit Base Rate Option for any Revolving Credit Loan, of a duly completed Committed Loan Request therefor substantially in the form of EXHIBIT 2.4.1 or a Committed Loan Request by telephone immediately confirmed in writing by letter, facsimile or telex in the form of such Exhibit, it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Committed Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Revolving Credit Loans comprising each Borrowing Tranche, which shall be in integral multiples of \$1,000,000 and not less than \$5,000,000 for each Borrowing Tranche to which the Euro-Rate Option applies and in integral multiples of \$500,000 and not less than the lesser of \$5,000,000 or the maximum amount available for Borrowing Tranches to which the Revolving Credit Base Rate Option applies; (iii) whether Revolving Credit Euro-Rate Option or Revolving Credit Base Rate Option shall apply to the proposed Revolving Credit Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Revolving Credit Euro-Rate Option applies, an appropriate Committed Loan Interest Period for the Loans comprising such Borrowing Tranche.

2.4.2 SWING LOAN REQUESTS.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request PNC Bank, to make a Swing Loan by delivery to PNC Bank, not later than 2:00 p.m. Pittsburgh time, on the proposed Borrowing Date of a duly completed request therefor substantially in the form of EXHIBIT 2.4.2 hereto or a request by telephone immediately confirmed in writing by letter, facsimile or telex (each, a "Swing Loan Request"), it being understood that PNC Bank may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Swing Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date, (ii) the term of the proposed Swing Loan, which shall be no less than one day and no longer than three days, and (iii) the principal amount of such Swing Loan, which shall be not less than \$1,000,000 and shall be an integral multiple of \$100,000.

2.5. MAKING REVOLVING CREDIT LOANS AND SWING LOANS AND SWING NOTES.

The Administrative Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.4 [Revolving Credit Loan Requests, Etc.], notify the Revolving Credit Banks of its receipt of such Loan Request specifying: (i) the proposed Borrowing Date and the time and method of disbursement of the Revolving Credit Loans requested thereby; (ii) the amount and type of each such Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Revolving Credit Banks of such Revolving Credit Loans

as determined by the Administrative Agent in accordance with Section 2.2 [Nature of Banks' Obligations, Etc.]. Each Revolving Credit Bank shall remit the principal amount of each Revolving Credit Loan to the Administrative Agent such that the Administrative Agent is able to, and the Administrative Agent shall, to the extent the Revolving Credit Banks have made funds available to it for such purpose and subject to Section 6.2 [Each Additional Loan or Letter of Credit], fund such Revolving Credit Loans to the Borrower in U.S. Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., Pittsburgh time, on the applicable Borrowing Date, PROVIDED that if any Revolving Credit Bank fails to remit such funds to the Administrative Agent in a timely manner, the Administrative Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Revolving Credit Bank on such Borrowing Date, and such Revolving Credit Bank shall be subject to the repayment obligation in Section 9.16 [Availability of Funds].

2.5.1 MAKING SWING LOANS.

PNC Bank shall, after receipt by it of a Swing Loan Request pursuant to Section 2.4.2, fund such Swing Loan to the Borrower in U.S. Dollars and immediately available funds at the Principal Office prior to 3:00 p.m., Pittsburgh time, on the Borrowing Date.

2.6. SWING LOAN NOTE.

The obligation of the Borrower to repay the unpaid principal amount of the Swing Loans made to it by PNC Bank together with interest thereon shall be evidenced by a demand promissory note of the Borrower dated the Closing Date in substantially the form attached hereto as EXHIBIT 1.1(S) payable to the order of PNC Bank in a face amount equal to the Swing Loan Commitment of PNC Bank.

2.7. USE OF PROCEEDS.

The proceeds of the Loans shall be used to refinance all principal, interest, fees, obligations and other amounts outstanding under the Existing Credit Facilities, for general corporate purposes and in accordance with Section 7.1.9 [Use of Proceeds]. Notwithstanding any provision of this Agreement to the contrary, no proceeds of any Loan shall be used by nor shall any Letter of Credit be issued for the benefit or the use of, directly or indirectly, any Significant Subsidiary or any Subsidiary of any Significant Subsidiary which Significant Subsidiary is not a party to the Guaranty Agreement until such time as such Significant Subsidiary has joined the Guaranty Agreement in accordance with Section 10.18 [Joinder of Guarantors].

2.8. BORROWINGS TO REPAY SWING LOANS.

PNC Bank may, at its option, exercisable at any time for any reason whatsoever, demand repayment of the Swing Loans, and each Revolving Credit Bank shall make available to the Administrative Agent, on behalf of PNC Bank, an amount equal to such Bank's Ratable Share

of the aggregate principal amount of the outstanding Swing Loans, plus, if PNC Bank so requests, accrued interest thereon, PROVIDED that no Revolving Credit Bank shall be obligated in any event to make Revolving Credit Loans in excess of its Revolving Credit Commitment. Revolving Credit Loans made pursuant to the preceding sentence shall bear interest at the Base Rate and shall be deemed to have been properly requested in accordance with Section 2.4.1 without regard to any of the requirements of that provision. PNC Bank shall provide notice to all of the Revolving Credit Banks (which may be telephonic or written notice by letter, facsimile or telex) of the amount of such Bank's Ratable Share of the aggregate principal amount of the outstanding Swing Loans, plus accrued interest thereon, to be made available to the Administrative Agent on behalf of PNC Bank under this Section 2.8. The Administrative Agent shall promptly provide to each Revolving Credit Bank notice of the apportionment thereof among the Revolving Credit Banks, and the Revolving Credit Banks shall be unconditionally obligated to fund such amount (whether or not the conditions specified in Section 2.4.1 are then satisfied) by the time PNC Bank so requests, which shall not be earlier than 3:00 p.m., Pittsburgh time, on the Business Day next after the date the Revolving Credit Banks receive such notice of apportionment from the Administrative Agent.

2.9. BID LOAN FACILITY.

2.9.1 BID LOAN REQUESTS.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request that the Revolving Credit Banks make Bid Loans by delivery to the Administrative Agent not later than 10:00 a.m., Pittsburgh time, of a duly completed request therefor substantially in the form of EXHIBIT 2.9.1 hereto or a request by telephone immediately confirmed in writing by letter, facsimile or telex (each, a "Bid Loan Request") at least one (1) Business Days prior to the proposed Bid Loan Borrowing Date if Borrower is requesting Fixed Rate Bid Loans and four (4) Business Days prior to the proposed Bid Loan Borrowing Date if Borrower is requesting Euro-Rate Bid Loans. The Administrative Agent may rely on the authority of any individual making a telephonic request referred to in the preceding sentence without the necessity of receipt of written confirmation. Each Bid Loan Request shall be irrevocable and shall specify (i) the proposed Bid Loan Borrowing Date, (ii) whether Borrower is electing the Bid Loan Fixed Rate Option or the Bid Loan Euro-Rate Option, (iii) the term of the proposed Bid Loan (the "Bid Loan Interest Period"), which may be no less than 7 day(s) and no longer than 270 days if Borrower is requesting a Fixed Rate Bid Loan and one, two, three or six months (or nine months, if available) if Borrower is requesting a Euro-Rate Bid Loan, and (iv) the maximum principal amount (the "Requested Amount") of such Bid Loan, which shall be not less than \$5,000,000 and shall be an integral multiple of \$1,000,000. After giving effect to such Bid Loan and any other Loan made on or before the Bid Loan Borrowing Date, the aggregate amount of all Revolving Credit Loans, Swing Loans and Bid Loans outstanding plus the Letter of Credit Outstandings shall not exceed the aggregate amount of the Revolving Credit Commitments of the Revolving Credit Banks. There shall be at least one Business Day between each Bid Loan Borrowing Date. There shall be no requests for Bid Loans nor any Bid Loans made until the Business Day following the Syndication Date.

2.9.2 BIDDING.

The Administrative Agent shall promptly after receipt by it of a Bid Loan Request pursuant to Section 2.9.1 notify the Revolving Credit Banks of its receipt of such Bid Loan Request specifying (i) the proposed Bid Loan Borrowing Date, (ii) whether the proposed Bid Loan shall be a Fixed Rate Bid Loan or a Euro-Rate Bid Loan, (iii) the Bid Loan Interest Period and (iv) the principal amount of the proposed Bid Loan. Each Revolving Credit Bank may submit a bid (a "Bid") to the Administrative Agent not later than 10:00 a.m., Pittsburgh time, on the proposed Bid Loan Borrowing Date if Borrower is requesting a Fixed Rate Bid Loan or three (3) Business Days before the proposed Bid Loan Borrowing Date if Borrower is requesting a Euro-Rate Bid Loan by telephone (immediately confirmed in writing by letter, facsimile or telex). Each Bid shall specify: (A) the principal amount of proposed Bid Loans offered by such Revolving Credit Bank (the "Offered Amount") (such Bid Loans may be funded by such Revolving Credit Bank's Designated Lender as provided in Section 2.9.4; however, such Revolving Credit Bank shall not be required to specify in its Bid whether such Bid Loans will be funded by such Designated Lender) which (i) may be less than, but shall not exceed, the Requested Amount, (ii) shall be at least \$5,000,000 and shall be an integral multiple of \$1,000,000 and (iii) may exceed such Revolving Credit Bank's Revolving Credit Commitment, and (B) the Fixed Rate which shall apply to such proposed Bid Loan if Borrower has requested a Fixed Rate Bid Loan or the Euro-Rate Bid Loan Spread which shall apply to such proposed Bid Loan if Borrower has requested a Euro-Rate Bid Loan. If any Bid omits information required hereunder, the Administrative Agent may in its sole discretion attempt to notify the Revolving Credit Bank submitting such Bid. If the Administrative Agent so notifies a Revolving Credit Bank, such Revolving Credit Bank may resubmit its Bid provided that it does so prior to time set forth in this Section 2.9.2 above by which such Revolving Credit Bank is required to submit its Bid to the Administrative Agent. The Administrative Agent shall promptly notify the Borrower of the Bids which it timely received from the Revolving Credit Banks. If the Administrative Agent in its capacity as a Revolving Credit Bank shall, in its sole discretion, make a Bid, it shall notify the Borrower of such Bid before 9:00 a.m., Pittsburgh time, on the proposed Bid Loan Borrowing Date if Borrower is requesting a Fixed Rate Bid Loan on three (3) Business Days before the proposed Borrowing Date if Borrower is requesting a Euro-Rate Bid Loan.

2.9.3 ACCEPTING BIDS.

The Borrower shall irrevocably accept or reject Bids by notifying the Administrative Agent of such acceptance or rejection by telephone (immediately confirmed in writing by letter, facsimile or telex) not later than 11:00 a.m., Pittsburgh time, on the proposed Bid Loan Borrowing Date if Borrower is requesting a Fixed Rate Bid Loan and three (3) Business Days before the proposed Borrowing Date if Borrower is requesting a Euro-Rate Bid Loan. If the Borrower elects to accept any Bids, its acceptance must meet the following conditions: (1) the total amount which Borrower accepts from all Revolving Credit Banks must exceed \$5,000,000 and be in integral multiples of \$1,000,000 and may not exceed the aggregate Requested Amount; (2) the Borrower must accept Bids based solely on the amount of the Fixed

Rates or Euro-Rate Bid Loan Spreads, as the case may be, which each of the Revolving Credit Banks quoted in their Bids in ascending order of the amount of Fixed Rates or Euro-Rate Bid Loan Spreads; (3) the Borrower may not borrow Bid Loans from any Revolving Credit Bank (or such Revolving Credit Bank's Designated Lender) on the Bid Loan Borrowing Date in an amount exceeding such Bank's Offered Amount; (4) if two or more Banks make Bids at the same Fixed Rate (if Borrower Requested a Fixed Rate Bid Loan) or Euro-Rate Bid Loan Spread (if Borrower Requested a Euro-Rate Bid Loan) and the Borrower desires to accept a portion but not all of the Bids at such Fixed Rate or Euro-Rate Bid Loan Spread, as the case may be, the Borrower shall accept a portion of each Bid equal to the product of the Offered Amount of such Bid times the fraction obtained by dividing the total amount of Bids which Borrower is accepting at such Fixed Rate or Euro-Rate Bid Loan Spread, as the case may be, by the sum of the Offered Amounts of the Bids at such Fixed Rate or Euro-Rate Bid Loan Spread, PROVIDED that the Borrower shall round the Bid Loans allocated to each such Bank upward or downward as the Borrower may select to integral Multiples of \$1,000,000. The Administrative Agent shall (i) promptly notify a Revolving Credit Bank that has made a Bid of the amount of its Bid that was accepted or rejected by the Borrower and (ii) as promptly as practical notify all of the Revolving Credit Banks which submitted Bids of all Bids submitted and those which have been accepted.

2.9.4 FUNDING BID LOANS.

Each Revolving Credit Bank whose Bid or portion thereof is accepted shall, or at its option shall cause its Designated Lender to, remit the principal amount of its Bid Loan to the Administrative Agent by 12:00 noon, Pittsburgh time, on the Borrowing Date. The Administrative Agent shall make such funds available to the Borrower on or before 1:00 p.m., Pittsburgh time, on the Borrowing Date provided that the conditions precedent to the making of such Bid Loan set forth in Section 6.2 have been satisfied not later than 10:00 a.m., Pittsburgh time, on the proposed Borrowing Date. If such conditions precedent have not been satisfied prior to such time, then (i) the Administrative Agent shall not make such funds available to the Borrower, (ii) the Bid Loan Request shall be deemed to be canceled and (iii) the Administrative Agent shall return the amount previously funded to the Administrative Agent by each applicable Bank no later than the next following Business Day. The Borrower shall immediately notify the Administrative Agent of any failure to satisfy the conditions precedent to the making of Bid Loans under Section 6.2. The Administrative Agent may assume that Borrower has satisfied such conditions precedent if the Borrower (i) has delivered to the Administrative Agent the documents required to be delivered under Section 6.2, (ii) the Borrower has not notified the Administrative Agent that the Loan Parties have not satisfied any other conditions precedent, and (iii) the Administrative Agent has no actual notice of such a failure. Any Designated Lender which funds a Bid Loan shall on and after the time of such funding become the obligee under such Bid Loan and be entitled to receive payment thereof when due. A Revolving Credit Bank shall be relieved of its obligation to fund a Bid Loan upon the funding of such Bid Loan by its Designated Lender and not prior to such time.

2.9.5 SEVERAL OBLIGATIONS.

The obligations of the Revolving Credit Banks to make Bid Loans after their Bids have been accepted are several. No Revolving Credit Bank shall be responsible for the failure of any other Bank to make any Bid Loan which another Revolving Credit Bank has agreed to make.

2.9.6 BID NOTES.

The obligation of the Borrower to repay the aggregate unpaid principal amount of the Bid Loans made to it by each Revolving Credit Bank or its Designated Lender, as the case may be, together with interest thereon, shall be evidenced by a Bid Note dated as of the Closing Date payable to the order of such Revolving Credit Bank and a Bid Note dated as of the date of the applicable Designation Agreement in favor of the Designated Lender named in such Designation Agreement in a face amount equal to the aggregate Revolving Credit Commitments of all of the Banks.

2.9.7 PAYMENTS AND PREPAYMENTS.

The Borrower shall repay each Bid Loan on the last day of the Interest Period with respect to such Bid Loan. The Borrower may not prepay the Bid Loans.

2.10. LETTER OF CREDIT SUBFACILITY.

2.10.1 ISSUANCE OF LETTERS OF CREDIT.

Borrower may request the issuance of a letter of credit (each a "Letter of Credit") on behalf of itself or another Loan Party by delivering to the Issuing Bank selected by the Borrower (with a copy to the Administrative Agent) a completed application and agreement for letters of credit in such form as the Issuing Bank may specify from time to time by no later than 10:00 a.m., Pittsburgh time, at least three (3) Business Days, or such shorter period as may be agreed to by the Issuing Bank, in advance of the proposed date of issuance. Each Letter of Credit shall be either a Standby Letter of Credit or a Commercial Letter of Credit. Subject to the terms and conditions hereof and in reliance on the agreements of the other Revolving Credit Banks set forth in this Section 2.8, the Issuing Bank will issue a Letter of Credit provided that each Letter of Credit shall (A) have a maximum maturity of twelve (12) months from the date of issuance, and (B) in no event expire later than ten (10) Business Days prior to the Expiration Date and provided that in no event shall (i) the Letters of Credit Outstanding exceed, at any one time, \$500,000,000 or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments.

2.10.2 LETTER OF CREDIT FEES.

Subject to the terms and conditions of this Agreement, any Issuing Bank selected by the Borrower shall issue the requested Letter of Credit, provided that the

Borrower and such Issuing Bank agree in writing as to the letter of credit fronting fee (the "Fronting Fee") to be paid by the Borrower to such Issuing Bank with respect to each such Letter of Credit. The Borrower shall also pay to the Issuing Bank for the Issuing Bank's sole account the Issuing Bank's then-in-effect customary fees and administrative expenses payable with respect to the Letters of Credit as the Issuing Bank may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit. The Borrower shall pay to the Administrative Agent for the ratable account of the Revolving Credit Banks a fee (the "Letter of Credit Fee") equal to the Applicable Letter of Credit Fee Rate then in effect (computed on the basis of a year of 360 days and actual days elapsed), which fee shall be computed on the daily average Letters of Credit Outstanding and shall be payable quarterly in arrears commencing with the first Business Day of each January, April, July and October following issuance of each Letter of Credit and on the Expiration Date.

2.10.3 DISBURSEMENTS, REIMBURSEMENT.

2.10.3.1 Immediately upon the Issuance of each Letter of Credit, each Revolving Credit Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Revolving Credit Bank's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

2.10.3.2 In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Issuing Bank will promptly notify the Borrower and the Administrative Agent. Provided that it shall have received such notice, the Borrower shall reimburse (such obligation to reimburse the Issuing Bank shall sometimes be referred to as a "Reimbursement Obligation") the Administrative Agent on behalf of the Issuing Bank prior to 12:00 noon, Pittsburgh time, on each date that an amount is paid by the Issuing Bank under any Letter of Credit (each such date, a "Drawing Date") in an amount equal to the amount so paid by the Issuing Bank. In the event the Borrower fails to reimburse the Administrative Agent on behalf of the Issuing Bank for the full amount of any drawing under any Letter of Credit by 12:00 noon, Pittsburgh time, on the Drawing Date, the Issuing Bank will promptly notify the Administrative Agent and each Revolving Credit Bank thereof, and the Borrower shall be deemed to have requested that Revolving Credit Loans be made by the Revolving Credit Banks under the Revolving Credit Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the Revolving Credit Commitment and subject to the conditions set forth in Section 6.2 [Each Additional Loan or Letter of Credit] other than any notice requirements. Any notice given by the Administrative Agent or the Issuing Bank pursuant to this Section 2.10.3.2 may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

2.10.3.3 Each Revolving Credit Bank shall upon any notice pursuant to Section 2.10.3.2 make available to the Administrative Agent, on behalf of the Issuing Bank, an amount in immediately available funds equal to its Ratable Share of the amount of the drawing, whereupon the participating Revolving Credit Banks shall (subject to Section 2.10.3.4) each be deemed to have made a Revolving Credit Loan under the Revolving Credit Base Rate Option to the Borrower in that amount. If any Revolving Credit Bank so notified fails to make available to the Administrative Agent for the account of the Issuing Bank the amount of such Revolving Credit Bank's Ratable Share of such amount by no later than 2:00 p.m., Pittsburgh time, on the Drawing Date, then interest shall accrue on such Revolving Credit Bank's obligation to make such payment, from the Drawing Date to the date on which such Revolving Credit Bank makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Revolving Credit Loans under the Revolving Credit Base Rate Option on and after the fourth day following the Drawing Date; provided, however, that in the event that a Revolving Credit Bank does not timely receive notice in order to so fund its Ratable Share to the Administrative Agent prior to 2:00 p.m., Pittsburgh time, on the Drawing Date, interest, with respect to the Drawing Date only, shall not accrue as previously described in this sentence. The Issuing Bank will promptly give notice to the Administrative Agent and each other Revolving Credit Bank of the occurrence of the Drawing Date, but failure of the Issuing Bank to give any such notice on the Drawing Date or in sufficient time to enable any Revolving Credit Bank to effect such payment on such date shall not relieve such Revolving Credit Bank from its obligation under this Section 2.10.3.3.

2.10.3.4 With respect to any unreimbursed drawing that is not converted into Revolving Credit Loans under the Revolving Credit Base Rate Option to the Borrower in whole or in part as contemplated by Section 2.10.3.2, because of the Borrower's failure to satisfy the conditions set forth in Section 6.2 [Each Additional Loan or Letter of Credit] other than any notice requirements or for any other reason, the Borrower shall be deemed to have incurred from the Issuing Bank a Letter of Credit Borrowing in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the Revolving Credit Loans under the Revolving Credit Base Rate Option. Each Revolving Credit Bank's payment to the Administrative Agent on behalf of the Issuing Bank pursuant to Section 2.10.3.3 shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a Participation Advance from such Revolving Credit Bank in satisfaction of its participation obligation under this Section 2.10.3.

2.10.4 REPAYMENT OF PARTICIPATION ADVANCES.

2.10.4.1 Upon (and only upon) receipt by the Administrative Agent for the account of the Issuing Bank of immediately available funds from the Borrower (i) in reimbursement of any payment made by the Issuing Bank under the Letter of Credit with respect to which any Revolving Credit Bank has made a Participation Advance to the Administrative Agent, or (ii) in payment of interest on such a payment made by the Issuing Bank

under such a Letter of Credit, the Administrative Agent on behalf of the Issuing Bank will pay to each Revolving Credit Bank, in the same funds as those received by the Administrative Agent on behalf of the Issuing Bank, the amount of such Revolving Credit Bank's Ratable Share of such funds, except the Administrative Agent shall retain the amount of the Ratable Share of such funds of any Revolving Credit Bank that did not make a Participation Advance in respect of such payment by the Issuing Bank.

2.10.4.2 If any Issuing Bank (or the Administrative Agent on behalf of any Issuing Bank) is required at any time to return to any Loan Party, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any Loan Party to the Issuing Bank or to the Administrative Agent on behalf of any Issuing Bank pursuant to Section 2.10.4.1 in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Revolving Credit Bank shall, on demand of the Administrative Agent, on behalf of the Issuing Bank forthwith return to the Administrative Agent, on behalf of the Issuing Bank, the amount of its Ratable Share of any amounts so returned by Issuing Bank or by the Administrative Agent on behalf of the Issuing Bank plus interest thereon from the date such demand is made to the date such amounts are returned by such Revolving Credit Bank to the Issuing Bank or to the Administrative Agent on behalf of the Issuing Bank, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

2.10.5 DOCUMENTATION.

Each Loan Party agrees to be bound by the terms of the Issuing Bank's application and agreement for letters of credit and the Issuing Bank's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Loan Party's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, neither the Agents nor any Issuing Bank shall be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.10.6 DETERMINATIONS TO HONOR DRAWING REQUESTS.

In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the Issuing Bank shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

2.10.7 NATURE OF PARTICIPATION AND REIMBURSEMENT OBLIGATIONS.

Each Revolving Credit Bank's obligation in accordance with this Agreement to make the Revolving Credit Loans or Participation Advances, as contemplated

by Section 2.10.3, as a result of a drawing under a Letter of Credit, and the Obligations of the Borrower to reimburse the Issuing Bank upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.10.7 under all circumstances, including the following circumstances:

(i) any set-off, counterclaim, recoupment, defense or other right which such Revolving Credit Bank may have against the Issuing Bank, either Agent, the Borrower or any other Person for any reason whatsoever;

(ii) the failure of any Loan Party or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in Section 2.1 [Revolving Credit Commitments], 2.4 [Revolving Credit Loan Requests, Etc.], 2.4.2 [Making Revolving Credit Loans] or 6.2 [Each Additional Loan or Letter of Credit] or as otherwise set forth in this Agreement for the making of a Revolving Credit Loan, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Revolving Credit Banks to make Participation Advances under Section 2.10.3;

(iii) any lack of validity or enforceability of any Letter of Credit;

(iv) the existence of any claim, set-off, defense or other right which any Loan Party or any Revolving Credit Bank may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), either Agent, any Issuing Bank, or any Revolving Credit Bank or any other Person or, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);

(v) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if the Issuing Bank has been notified thereof;

(vi) payment by the Issuing Bank under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(vii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;

(viii) any breach of this Agreement or any other Loan Document by any party thereto;

(ix) the occurrence or continuance of an Insolvency Proceeding with respect to any Loan Party;

(x) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;

(xi) the fact that the Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated; and

(xii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.10.8 INDEMNITY.

In addition to amounts payable as provided in Section 9.5 [Reimbursement and Indemnification of Agents by the Borrower], the Borrower hereby agrees to protect, indemnify, pay and save harmless the Agents and each Issuing Bank from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel) which any Agent or any Issuing Bank may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of any Agent or an Issuing Bank as determined by a final judgment of a court of competent jurisdiction or (B) subject to the following clause (ii), the wrongful dishonor by an Issuing Bank of a proper demand for payment made under any Letter of Credit, or (ii) the failure of an Issuing Bank to honor a drawing under any such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "Governmental Acts").

2.10.9 LIABILITY FOR ACTS AND OMISSIONS.

As between any Loan Party, each Issuing Bank and the Agents, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, neither any Agent nor any Issuing Bank shall be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Issuing Bank shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Loan Party against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Loan Party and any beneficiary of any Letter of Credit or any

such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of any Issuing Bank or any Agent, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of the Agents' rights or powers hereunder or of any of the rights or powers hereunder of any Issuing Bank. Nothing in the preceding sentence shall: (x) relieve any Agent from liability for such Agent's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence, or (y) relieve any Issuing Bank from liability for such Issuing Bank's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by any Agent or any Issuing Bank under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put any Agent or any Issuing Bank under any resulting liability to the Borrower or any other Bank.

2.11. EXTENSION BY BANKS OF THE EXPIRATION DATE.

2.11.1 REQUESTS; APPROVAL BY ALL BANKS.

Upon or promptly after delivery by the Borrower of the annual financial statements to be provided under Section 7.3.2 [Annual Financial Statements] for the fiscal year ending December 31, 1997 or any subsequent fiscal year, the Borrower may request a one-year extension of the Expiration Date by written notice to the Administrative Agent, (and the Administrative Agent shall promptly so notify the Revolving Credit Banks), and the Revolving Credit Banks agree to respond to the Borrower's request for an extension within sixty (60) days following receipt of the request (each such sixty day period, an "Approval Period"); provided, however, that the failure of any Revolving Credit Bank to respond within such time period shall not in any manner constitute an agreement by such Revolving Credit Bank to extend the Expiration Date. If all Revolving Credit Banks elect to extend, the Expiration Date shall be extended for a period of one year. If one or more Revolving Credit Banks decline to extend or do not respond to Borrower's request, the provisions of Section 2.11.2 shall apply.

2.11.2 APPROVAL BY REQUIRED BANKS.

In the event that one or more Revolving Credit Banks do not agree to extend the Expiration Date or do not respond to Borrower's request for an extension within the Approval Period (each a "Bank to be Terminated"), but the Supermajority Required Banks agree to such extension within the Approval Period then, on or before the last day of the applicable Approval Period, the Revolving Credit Banks which have agreed to such extension within the

applicable Approval Period (each an "Extending Bank") may, with the prior written approval of the Borrower and the Administrative Agent, either (x) arrange to reduce the Commitments to the aggregate of the Commitments of the Extending Banks or (y) arrange to have one or more other banks (each an "Assignee Bank") purchase all of the outstanding Loans, if any, of each Bank to be Terminated and succeed to and assume the Commitments and all other rights, interests and obligations of each Bank to be Terminated under this Agreement and the other Loan Documents. Any such reduction of the Commitments to the aggregate of the Commitments of the Extending Banks shall be by an amendment to this Agreement and the other Loan Documents satisfactory to the Administrative Agent and each of the Extending Banks. Any such purchase and assumption shall be (1) pursuant to an Assignment and Assumption Agreement, (2) subject to and in accordance with Section 10.11 [Successors and Assigns], and (3) if any Committed Loans are outstanding under the Revolving Credit Euro-Rate Option or if any Bid Loans are outstanding to such Bank to be Terminated (or the Designated Lender of such Bank to be Terminated), then effective on the last day of the Interest Period with respect to such Loans. The Borrower shall pay all amounts due and payable to each Bank to be Terminated on the effective date of such Assignment and Assumption Agreement. In the event that any Agent shall become a Bank to be Terminated, the provisions of this Section 2.11 shall be subject to Section 9.14 [Successor Agent]. In the event that either (x) the aggregate Commitments have not been reduced to the aggregate of the Commitments of the Extending Banks or (y) the Loans and Commitments of each Bank to be Terminated are not fully assigned and assumed pursuant to Section 2.11.2 on or before the last day of the applicable Approval Period, then the Expiration Date shall not be extended for any Bank.

3. INTEREST RATES

3.1. INTEREST RATE OPTIONS.

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Revolving Credit Loans as selected by it from the Revolving Credit Base Rate Option or Revolving Credit Euro-Rate Option set forth below applicable to the Revolving Credit Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Revolving Credit Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Revolving Credit Loans comprising any Borrowing Tranche, PROVIDED that there shall not be at any one time outstanding more than six (6) Borrowing Tranches in the aggregate among all of the Revolving Credit Loans accruing interest at a Revolving Credit Euro-Rate Option, and provided further that only the Revolving Credit Base Rate Option shall apply to the Swing Loans. The Borrower shall pay interest in respect of the outstanding unpaid principal amount of each Bid Loan at the rate specified in the related Bid accepted by the Borrower with respect to which a Bid Loan is made. If at any time the designated rate applicable to any Loan exceeds such Bank's highest lawful rate, the rate of interest on such Loan shall be limited to such Bank's highest lawful rate.

3.1.1 REVOLVING CREDIT INTEREST RATE OPTIONS.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans (subject to the provisions above regarding Swing Loans):

(i) REVOLVING CREDIT BASE RATE OPTION: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) REVOLVING CREDIT EURO-RATE OPTION: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the Euro-Rate plus the Applicable Margin.

3.1.2 RATE QUOTATIONS.

The Borrower may call the Administrative Agent on or before the date on which a Revolving Credit Loan Request is to be delivered to receive an indication of the rates then in effect as to Revolving Credit Loans, but it is acknowledged that such projection shall not be binding on the Administrative Agent or the Revolving Credit Banks nor affect the rate of interest which thereafter is actually in effect when the election is made.

3.1.3 CHANGE IN FEES OR INTEREST RATES.

If the Applicable Margin or Applicable Facility Fee Rate is increased or reduced with respect to any period for which the Borrower has already paid interest or Facility Fees, the Administrative Agent shall recalculate the additional interest or Facility Fees due from or to the Borrower and shall, within fifteen (15) Business Days after the Borrower notifies the Administrative Agent of such increase or decrease, give the Borrower and the Revolving Credit Banks notice of such recalculation.

3.1.3.1 Any additional interest or Facility Fees due from the Borrower shall be paid to the Administrative Agent for the account of the Revolving Credit Banks on the next date on which an interest or fee payment is due; PROVIDED, HOWEVER, that if there are no Loans outstanding or if the Loans are due and payable, such additional interest or Facility Fees shall be paid promptly after receipt of written request for payment from the Administrative Agent.

3.1.3.2 Any interest or Facility Fees refund due to the Borrower shall be credited against payments otherwise due from the Borrower on the next interest or fee payment due date or, if the Loans have been repaid and the Revolving Credit Banks are no longer committed to lend under this Agreement, the Revolving Credit Banks shall pay the Administrative Agent for the account of the Borrower such interest or Facility Fee refund

not later than five Business Days after written notice from the Administrative Agent to the Banks.

3.2. REVOLVING CREDIT LOANS INTEREST PERIODS.

At any time when the Borrower shall select, convert to or renew a Revolving Credit Euro-Rate Option, the Borrower shall notify the Administrative Agent thereof at least three (3) Business Days prior to the effective date of such Euro-Rate Option by delivering a Loan Request. The notice shall specify an interest period (the "Committed Loan Interest Period") during which such Interest Rate Option shall apply, such Committed Loan Interest Period to be one, two, three or six Months (or nine months, if available to all Banks); provided, however, that prior to the date which is the Business Day following the Syndication Date, all Revolving Credit Loans made shall be at the Revolving Credit Base Rate Option only. Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a Revolving Credit Euro-Rate Option:

3.2.1 ENDING DATE AND BUSINESS DAY.

any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day;

3.2.2 AMOUNT OF BORROWING TRANCHE.

each Borrowing Tranche of Revolving Credit Loans to which the Euro-Rate Option applies shall be in integral multiples of \$1,000,000 and not less than \$5,000,000;

3.2.3 TERMINATION BEFORE EXPIRATION DATE.

the Borrower shall not select, convert to or renew an Interest Period for any portion of the Loans that would end after the Expiration Date; and

3.2.4 RENEWALS.

in the case of the renewal of a Revolving Credit Euro-Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

3.3. INTEREST AFTER DEFAULT.

To the extent permitted by Law, upon the occurrence of an Event of Default and until such time such Event of Default shall have been cured or waived:

3.3.1 LETTER OF CREDIT FEES, INTEREST RATE.

the Letter of Credit Fees and the rate of interest for each Loan otherwise applicable pursuant to Section 2.10.2 [Letter of Credit Fees] or Section 3.1 [Interest Rate Options], respectively, shall be increased by 2.0% per annum; and

3.3.2 OTHER OBLIGATIONS.

each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Revolving Credit Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable and until it is paid in full.

3.3.3 ACKNOWLEDGMENT.

The Borrower acknowledges that the increase in rates referred to in this Section 3.3 reflects, among other things, the fact that such Loans or other amounts have become a substantially greater risk given their default status and that the Banks are entitled to additional compensation for such risk; and all such interest shall be payable by Borrower upon demand by Administrative Agent. Upon the occurrence of an Event of Default, no Loan may be made, converted to or renewed under the Euro-Rate Option.

3.4. EURO-RATE UNASCERTAINABLE; ILLEGALITY; INCREASED COSTS; DEPOSITS NOT AVAILABLE.

3.4.1 UNASCERTAINABLE.

If, on any date on which a Euro-Rate would otherwise be determined with respect to Committed Loans or Bid Loans, the Administrative Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate,

then the Administrative Agent shall have the rights specified in Section 3.4.3.

3.4.2 ILLEGALITY; INCREASED COSTS; DEPOSITS NOT AVAILABLE.

If at any time any Bank shall have determined that:

(i) the making, maintenance or funding of any Loan to which a Euro-Rate Option applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Official

Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such Euro-Rate Option will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan to which a Euro-Rate Option applies, respectively, are not available to such Bank with respect to such Loan, in the London interbank market,

then the Administrative Agent and the Banks shall have the rights specified in Section 3.4.3.

3.4.3 ADMINISTRATIVE AGENT'S AND BANK'S RIGHTS.

In the case of any event specified in Section 3.4.1 above, the Administrative Agent shall promptly so notify the Banks and the Borrower thereof, and in the case of an event specified in Section 3.4.2 above, such Bank shall promptly so notify the Administrative Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Administrative Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrower. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Banks, in the case of such notice given by the Administrative Agent, or (B) such Bank, in the case of such notice given by such Bank, to allow the Borrower to select, convert to or renew a Euro-Rate Option shall be suspended until the Administrative Agent shall have later notified the Borrower, or such Bank shall have later notified the Administrative Agent, of the Administrative Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Administrative Agent makes a determination under Section 3.4.1 and the Borrower has previously notified the Administrative Agent of its selection of, conversion to or renewal of a Euro-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for the termination of Borrower's Bid Loan Request (without penalty) for such Loans if the Borrower has requested Bid Loans under the Bid Loan Euro-Rate Option and such notification shall be deemed to provide for the selection of, conversion to or renewal of the Revolving Credit Base Rate Option otherwise available with respect to such Loans if the Borrower has requested the Committed Loan Euro-Rate Option. If any Bank notifies the Administrative Agent of a determination under Section 3.4.2, the Borrower shall, subject to the Borrower's indemnification Obligations under Section 4.5.2 [Indemnity], as to any Loan of the Bank to which a Euro-Rate Option applies, on the date specified in such notice either convert such Loan to the Revolving Credit Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 4.4 [Voluntary Prepayments]. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the Revolving Credit Base Rate Option otherwise available with respect to such Loan upon such specified date.

3.5. SELECTION OF INTEREST RATE OPTIONS.

If the Borrower fails to select a new Interest Period to apply to any Borrowing Tranche of Revolving Credit Loans under the Revolving Credit Euro-Rate Option at the expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 3.2 [Interest Periods], the Borrower shall be deemed to have converted such Borrowing Tranche to the Revolving Credit Base Rate Option commencing upon the last day of the existing Interest Period.

4. PAYMENTS

4.1. PAYMENTS.

All payments and prepayments to be made in respect of principal, interest, Facility Fees, Letter of Credit Fees, Administrative Agent's Fee or other fees or amounts due from the Borrower hereunder shall be payable prior to 11:00 a.m., Pittsburgh time, on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Administrative Agent at the Principal Office for the account of PNC Bank with respect to the Swing Loans and for the ratable accounts of the Revolving Credit Banks with respect to the Revolving Credit Loans and for the account of the lending Bank with respect to the Bid Loans, in U.S. Dollars and in immediately available funds, and the Administrative Agent shall promptly distribute such amounts to the Banks in immediately available funds, PROVIDED that in the event payments are received by 11:00 a.m., Pittsburgh time, by the Administrative Agent with respect to the Loans and such payments are not distributed to the Banks (or applicable Bank, as the case may be) on the same day received by the Administrative Agent, the Administrative Agent shall pay the Banks (or applicable Bank, as the case may be) the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Administrative Agent and not distributed to the Banks (or applicable Bank, as the case may be). The Administrative Agent's and each Bank's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement and shall be deemed an "account stated."

4.2. PRO RATA TREATMENT OF BANKS.

Each borrowing of Revolving Credit Loans shall be allocated to each Revolving Credit Bank according to its Ratable Share (irrespective of the amount of Bid Loans outstanding), and each selection of, conversion to or renewal of any Interest Rate Option applicable to Revolving Credit Loans and each payment or prepayment by the Borrower with respect to principal or interest on the Revolving Credit Loans or Facility Fees, Letter of Credit Fees, or other fees (except for the Administrative Agent's Fee) or amounts due from the Borrower hereunder to the Revolving Credit Banks with respect to the Revolving Credit Loans, shall (except as provided in Section 3.4.3 [Agents' and Bank's Rights] in the case of an event

specified in Section 3.4 [Euro-Rate Unascertainable, Etc.], 4.4 [Voluntary Prepayments] or 4.5 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Revolving Credit Loans outstanding from each Revolving Credit Bank and, if no such Loans are then outstanding, in proportion to the Ratable Share of each Revolving Credit Bank. Each borrowing of a Bid Loan shall be made according to the provisions in Section 2.9 hereof and each payment or prepayment by the Borrower of principal, interest, fees or other amounts from the Borrower with respect to Bid Loans shall be made to the Banks in proportion to the amounts of such items due to such Banks. Notwithstanding any of the foregoing, each borrowing or payment or prepayment by the Borrower of principal, interest or other amounts from the Borrower with respect to Swing Loans shall be made by or to PNC Bank according to Section 2.

4.3. INTEREST PAYMENT DATES.

Interest on Committed Loans to which the Revolving Credit Base Rate applies shall be due and payable in arrears on the first Business Day of each July, October, January and April after the date hereof and on the Expiration Date or upon acceleration of the Loans. Interest on Committed Loans (other than Swing Loans) and Bid Loans to which the Euro-Rate Option applies and Bid Loans to which the Bid Loan Fixed Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans and, if such Interest Period is longer than three (3) Months, also on the 90th day (and if applicable, the 180th day) of such Interest Period. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration or otherwise).

4.4. VOLUNTARY PREPAYMENTS.

4.4.1 RIGHT TO PREPAY.

The Borrower shall have the right at its option from time to time to prepay the Revolving Credit Loans in whole or part without premium or penalty (except as provided in Section 4.4.2 below or in Section 4.5 [Additional Compensation in Certain Circumstances]):

(i) at any time with respect to any Revolving Credit Loan to which the Revolving Credit Base Rate Option applies,

(ii) on the last day of the applicable Interest Period with respect to Revolving Credit Loans to which a Euro-Rate Option applies,

(iii) on the date specified in a notice by any Revolving Credit Bank pursuant to Section 3.4 [Euro-Rate Unascertainable, Etc.] with respect to any Revolving Credit Loan to which a Euro-Rate Option applies.

Whenever the Borrower desires to prepay any part of the Revolving Credit Loans or Swing Loans, it shall provide a prepayment notice to the

Administrative Agent by 1:00 p.m. at least one (1) Business Day prior to the date of prepayment of the Revolving Credit Loans or no later than 1:00 p.m., Pittsburgh time, on the date of prepayment of Swing Loans setting forth the following information:

(x) the date, which shall be a Business Day, on which the proposed prepayment is to be made;

(y) the application of the prepayment between the Swing Loans and the Revolving Credit Loans; and

(z) the total principal amount of such prepayment, which shall not be less than \$5,000,000 for any Revolving Credit Loan, and in increments of \$1,000,000 above \$5,000,000 and not less than \$1,000,000 for Swing Loans, and in increments of \$100,000 above \$1,000,000.

All prepayment notices shall be irrevocable. The principal amount of the Revolving Credit Loans or Swing Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Revolving Credit Loans to which the Revolving Credit Base Rate Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. Except as provided in Section 3.4.3 [Agents' and Bank's Rights], if the Borrower prepays a Revolving Credit Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied (i) first to Revolving Credit Loans to which the Revolving Credit Base Rate Option applies, then to Revolving Credit Loans to which the Revolving Credit Euro-Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Revolving Credit Banks under Section 4.5.2 [Indemnity]. Bid Loans can not be prepaid by the Borrower.

4.4.2 REPLACEMENT OF A BANK.

In the event any Bank (i) gives notice under Section 3.4 [Euro-Rate Unascertainable, Etc.] or Section 4.5.1 [Increased Costs, Etc.], (ii) does not fund Revolving Credit Loans or Bid Loans because the making of such Loans would contravene any Law applicable to such Bank, or (iii) becomes subject to the control of an Official Body (other than normal and customary supervision), then the Borrower shall have the right at its option, with the consent of the Administrative Agent, which shall not be unreasonably withheld, to prepay the Loans of such Bank in whole, together with all interest accrued thereon, and terminate such Bank's Commitment within ninety (90) days after (w) receipt of such Bank's notice under Section 3.4 [Euro-Rate Unascertainable, Etc.] or 4.5.1 [Increased Costs, Etc.], (x) the date such Bank has failed to fund Revolving Credit Loans or Bid Loans because the making of such Loans would contravene Law applicable to such Bank, (y) the date of obtaining the consent which such Bank has not approved, or (z) the date such Bank became subject to the control of an Official Body, as applicable; PROVIDED that the Borrower shall also pay to such Bank at the time of such prepayment any amounts required under Section 4.5 [Additional Compensation in Certain Circumstances] and any accrued interest due on such amount and any related fees; PROVIDED,

however, that the Commitment and any Bid Loan of such Bank shall be provided by one or more of the remaining Banks or a replacement bank acceptable to the Administrative Agent and the Issuing Banks; PROVIDED, further, the remaining Banks shall have no obligation hereunder to increase their Commitments or provide the Bid Loan of such Bank. Notwithstanding the foregoing, the Administrative Agent may only be replaced subject to the requirements of Section 9.14 [Successor Agent] and an Issuing Bank may only be replaced if all Letters of Credit issued by such Issuing Bank have expired or been terminated or replaced.

4.4.3 CHANGE OF LENDING OFFICE.

Each Bank agrees that upon the occurrence of any event giving rise to increased costs or other special payments under Section 3.4.2 [Illegality, Etc.] or 4.5.1 [Increased Costs, Etc.] with respect to such Bank, it will if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans or Letters of Credit affected by such event, PROVIDED that such designation is made on such terms that such Bank and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 4.4.3 shall affect or postpone any of the Obligations of the Borrower or any other Loan Party or the rights of any Agent or any Bank provided in this Agreement.

4.4.4 VOLUNTARY REDUCTION OF COMMITMENTS.

The Borrower shall have the right, upon not less than five Business Days' written irrevocable notice to the Administrative Agent, to terminate the Commitments or, from time to time, to reduce the amount of the Commitments, which notice shall specify the date and amount of any such reduction and otherwise be substantially in the form of EXHIBIT 4.4.4 (a "Commitment Reduction Notice"). Any such reduction shall be in a minimum amount equal to \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, provided, that the Commitment may not be reduced below the sum of the aggregate principal amount of all Revolving Facility Usage. Each reduction of Commitments shall ratably reduce the Commitments of the Revolving Credit Banks.

4.5. ADDITIONAL COMPENSATION IN CERTAIN CIRCUMSTANCES.

4.5.1 INCREASED COSTS OR REDUCED RETURN RESULTING FROM TAXES, RESERVES, CAPITAL ADEQUACY REQUIREMENTS, EXPENSES, ETC.

If any Law, guideline or interpretation or any change in any Law, guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of Law) of any central bank or other Official Body:

(i) subjects any Bank to any tax or changes the basis of taxation with respect to this Agreement, the Committed Loans or the Bid Loans or payments by

the Borrower of principal, interest, Facility Fees, or other amounts due from the Borrower hereunder (except for taxes on the overall net income of such Bank),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Bank, or

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, any Bank, or (B) otherwise applicable to the obligations of any Bank under this Agreement,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Bank with respect to this Agreement, or the making, maintenance or funding of any part of the Committed Loans or the Bid Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Bank's capital, taking into consideration such Bank's customary policies with respect to capital adequacy) by an amount which such Bank in its sole discretion deems to be material, such Bank shall from time to time notify the Borrower and the Administrative Agent of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by such Bank to be necessary to compensate such Bank for such increase in cost, reduction of income, additional expense or reduced rate of return. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

4.5.2 INDEMNITY.

In addition to the compensation required by Section 4.5.1 [Increased Costs, Etc.], the Borrower shall indemnify each Bank against all liabilities, losses or expenses (including loss of margin, any loss or expense incurred in liquidating or employing deposits from third parties and any loss or expense incurred in connection with funds acquired by a Bank to fund or maintain Loans subject to a Euro-Rate Option or the Bid Loan Fixed Rate Option) which such Bank sustains or incurs as a consequence of any

(i) payment, prepayment, conversion or renewal of any Loan to which a Euro-Rate Option or the Bid Loan Fixed Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.4 [Revolving Credit Loan Requests, Etc.], Section 2.4.2 [Swing Loan Requests], Section 2.9 [Bid

Loan Facility] or Section 3.1.3 [Interest Periods] or notice relating to prepayments under Section 4.4 [Voluntary Prepayments], or

(iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal of or interest on the Committed Loans or the Bid Loans, Facility Fees or any other amount due hereunder; or

(iv) payment or prepayment of any Bid Loan on a day other than the maturity date thereof (whether or not such payment or prepayment is mandatory or voluntary).

If any Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Bank (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Bank shall deem reasonable) to be necessary to indemnify such Bank for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

4.6. NOTES.

Upon the request of any Bank, the Revolving Credit Loans made by such Bank may be evidenced by a Revolving Credit Note in the form of EXHIBIT 1.1(R).

4.7. SETTLEMENT DATE PROCEDURES.

In order to minimize the transfer of funds between the Revolving Credit Banks and the Administrative Agent, the Borrower may borrow, repay and reborrow Swing Loans and PNC Bank may make Swing Loans as provided in Section 2.4 hereof during the period between Settlement Dates. Not later than 11:00 a.m., on each Settlement Date, the Administrative Agent shall notify each Revolving Credit Bank of its Ratable Share of the total of the Revolving Credit Loans and the Swing Loans (each a "Required Share"). Prior to 2:00 p.m., Pittsburgh time, on such Settlement Date, each Revolving Credit Bank shall pay to the Administrative Agent the amount equal to the difference between its Required Share and its Revolving Credit Loans, and the Administrative Agent shall pay to each Revolving Credit Bank its Ratable Share of all payments made by the Borrower to the Administrative Agent with respect to the Revolving Credit Loans. The Administrative Agent shall also effect settlement in accordance with the foregoing sentence on the proposed Borrowing Dates for Revolving Credit Loans and may at its option effect settlement on any other Business Day. These settlement procedures are established solely as a matter of administrative convenience, and nothing contained in this Section 4.7 shall relieve the Revolving Credit Banks of their obligations to fund Revolving Credit Loans on dates other than a Settlement Date pursuant to Section 2.1.2. The Administrative Agent may at any time for any reason whatsoever require each Revolving Credit Bank to pay immediately to the

Administrative Agent such Bank's Ratable Share of the outstanding Revolving Credit Loans, and each Revolving Credit Bank may at any time require the Administrative Agent to pay immediately to such Revolving Credit Bank its Ratable Share of all payments made by the Borrower to the Administrative Agent with respect to the Revolving Credit Loans.

5. REPRESENTATIONS AND WARRANTIES

5.1. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Agents and each of the Banks as follows:

5.1.1 ORGANIZATION AND QUALIFICATION.

Each Loan Party and each Subsidiary of each Loan Party is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Loan Party and each Subsidiary of each Loan Party has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct. Each Loan Party and each Subsidiary of each Loan Party is duly licensed or qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary.

5.1.2 SHARES OF BORROWER; SUBSIDIARIES; AND SUBSIDIARY SHARES.

SCHEDULE 5.1.2 states the name of each of the Borrower's Subsidiaries, its jurisdiction of incorporation, its authorized capital stock, the issued and outstanding shares (referred to herein as the "Subsidiary Shares") and the owners thereof if it is a corporation, its outstanding partnership interests (the "Partnership Interests") if it is a partnership and its outstanding limited liability company interests, interests assigned to managers thereof and the voting rights associated therewith (the "LLC Interests") if it is a limited liability company. SCHEDULE 5.1.2 also sets forth the jurisdiction of incorporation of the Borrower, its authorized capital stock (the "Borrower Shares") and the voting rights associated therewith. The Borrower and each Subsidiary of the Borrower has good and marketable title to all of the Subsidiary Shares, Partnership Interests and LLC Interests it purports to own, free and clear in each case of any Lien. All Borrower Shares, Subsidiary Shares, Partnership Interests and LLC Interests have been validly issued, and all Borrower Shares, Subsidiary Shares are fully paid and nonassessable. All capital contributions and other consideration required to be made or paid in connection with the issuance of the Partnership Interests and LLC Interests have been made or paid, as the case may be. There are no options, warrants or other rights outstanding to purchase any such Borrower Shares, Subsidiary Shares, Partnership Interests or LLC Interests except as indicated on SCHEDULE 5.1.2.

5.1.3 POWER AND AUTHORITY.

Each Loan Party has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part. Each person party to the Merger Agreement has full power to enter into, execute, deliver and perform the Merger Agreement to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

5.1.4 VALIDITY AND BINDING EFFECT.

This Agreement has been duly and validly executed and delivered by each Loan Party, and each other Loan Document which any Loan Party is required to execute and deliver on or after the date hereof will have been duly executed and delivered by such Loan Party on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitutes, or will constitute, legal, valid and binding obligations of each Loan Party which is or will be a party thereto on and after its date of delivery thereof, enforceable against such Loan Party in accordance with its terms, except to the extent that enforceability of any of such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance. The Merger Agreement has been duly and validly executed and delivered by each person party thereto. The Merger has been consummated in accordance with the terms of the Merger Agreement. The Merger Agreement constitutes the legal, valid and binding obligation of each person party thereto, enforceable against each such person in accordance with the terms thereof, except to the extent that enforceability of the Merger Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar law, affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

5.1.5 NO CONFLICT.

Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party or the Merger Agreement by any person party thereto, nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents of any Loan Party or in the case of the Merger Agreement, of any person party thereto or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any person party to the Merger Agreement or any Loan Party or any Subsidiary of any Loan Party is a party or by which any of the foregoing persons is bound or to which any of the foregoing persons is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any

property (now or hereafter acquired) of any person party to the Merger Agreement or of any Loan Party or any Subsidiary of any Loan Party (other than Liens granted under the Loan Documents).

5.1.6 LITIGATION.

There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party or any Subsidiary of such Loan Party at law or equity before any Official Body which individually or in the aggregate could reasonably be expected to result in any Material Adverse Change. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of any order, writ, injunction or any decree of any Official Body which could reasonably be expected to result in any Material Adverse Change.

5.1.7 FINANCIAL STATEMENTS.

(i) HISTORICAL STATEMENTS. The Borrower has delivered to the Administrative Agent copies of its audited consolidated year-end financial statements for and as of the end of the fiscal year ended December 31, 1996 (the "Annual Statements"). In addition, the Borrower has delivered to the Administrative Agent copies of its unaudited consolidated interim financial statements for the fiscal year to date and as of the end of the fiscal quarter ended March 31, 1997 (the "Interim Statements") (the Annual and Interim Statements being collectively referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by the Borrower's management, are correct and complete and fairly represent the consolidated financial condition of the Borrower and its Subsidiaries as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied, subject (in the case of the Interim Statements) to normal year-end audit adjustments.

(ii) ACCURACY OF FINANCIAL STATEMENTS. Neither the Borrower nor any Subsidiary of the Borrower has any liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Historical Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of the Borrower or any Subsidiary of the Borrower which could reasonably be expected to cause a Material Adverse Change. Since December 31, 1996, no Material Adverse Change has occurred.

5.1.8 USE OF PROCEEDS; MARGIN STOCK; SECTION 20 SUBSIDIARIES.

5.1.8.1 GENERAL.

The Loan Parties intend to use the proceeds of the Loans in accordance with Sections 2.7 and 7.1.9.

5.1.8.2 MARGIN STOCK.

None of the Loan Parties nor any Subsidiaries of any Loan Party engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Loan Parties nor any Subsidiary of any Loan Party holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of any Loan Party or Subsidiary of any Loan Party are or will be represented by margin stock.

5.1.8.3 SECTION 20 SUBSIDIARIES.

The Loan Parties do not intend to use and shall not use any portion of the proceeds of the Loans, directly or indirectly (i) knowingly to purchase any Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities, (ii) knowingly to purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary, or (iii) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of any Loan Party or any Affiliate of any Loan Party.

5.1.9 FULL DISCLOSURE.

Neither this Agreement nor any other Loan Document, nor the Merger Agreement nor any certificate, statement, agreement or other documents furnished to the Administrative Agent or any Bank in connection herewith or therewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to any Loan Party which materially adversely affects the business, financial condition or results of operations of any Loan Party or Subsidiary of any Loan Party which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Administrative Agent and the Banks prior to or at the date hereof in connection with the transactions contemplated hereby.

5.1.10 TAXES.

All federal, state, local and other tax returns required to have been filed with respect to each Loan Party and each Subsidiary of each Loan Party have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have or may become due pursuant to said returns or to

assessments received, except to the extent that such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made. There are no agreements or waivers extending the statutory period of limitations applicable to any federal income tax return of any Loan Party or Subsidiary of any Loan Party for any period.

5.1.11 CONSENTS AND APPROVALS.

No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Agreement and the other Loan Documents by any Loan Party, except as listed on SCHEDULE 5.1.11, all of which shall have been obtained or made on or prior to the Closing Date except as otherwise indicated on SCHEDULE 5.1.11. All consents, approvals, exemptions, orders or authorization of, or registration or filing with, any Official Body or any other Person as required by any Law or any agreement in connection with the execution, delivery and carrying out of the Merger in accordance with the Merger Agreement and the other Merger Documents have been obtained or made on or prior to the Closing Date, except as otherwise indicated on SCHEDULE 5.1.11.

5.1.12 NO EVENT OF DEFAULT; COMPLIANCE WITH INSTRUMENTS.

No event has occurred and is continuing and no condition exists or will exist after giving effect to the borrowings or other extensions of credit to be made on the Closing Date under or pursuant to the Loan Documents which constitutes an Event of Default or Potential Default. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of (i) any term of its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would constitute a Material Adverse Change.

5.1.13 INSURANCE.

No notice has been given or claim made and no grounds exist to cancel or avoid any of such policies or bonds or to reduce the coverage provided thereby. Such policies and bonds provide adequate coverage from reputable and financially sound insurers in amounts sufficient to insure the assets and risks of each Loan Party and each Subsidiary of each Loan Party in accordance with prudent business practice in the industry of the Loan Parties and their Subsidiaries.

5.1.14 COMPLIANCE WITH LAWS.

The Loan Parties and their Subsidiaries are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically

addressed in Section 5.1.18 [Environmental Matters]) in all jurisdictions in which any Loan Party or Subsidiary of any Loan Party is doing business except where the failure to do so would not constitute a Material Adverse Change.

5.1.15 INVESTMENT COMPANIES; REGULATED ENTITIES.

None of the Loan Parties or any Subsidiaries of any Loan Party is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control." None of the Loan Parties or any Subsidiaries of any Loan Party is subject to any other Federal or state statute or regulation limiting its ability to incur Indebtedness for borrowed money.

5.1.16 PLANS AND BENEFIT ARRANGEMENTS.

(i) The Borrower and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans and Multiemployer Plans. There has been no Prohibited Transaction with respect to any Benefit Arrangement or any Plan or, to the best knowledge of the Borrower, with respect to any Multiemployer Plan or Multiple Employer Plan, which could result in any material liability of the Borrower or any other member of the ERISA Group. The Borrower and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto. With respect to each Plan and Multiemployer Plan, the Borrower and each other member of the ERISA Group (i) have fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA. All Plans, Benefit Arrangements and Multiemployer Plans have been administered in accordance with their terms and applicable Law.

(ii) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan.

(iii) Neither the Borrower nor any other member of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Multiple Employer Plan that such Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and, to the best knowledge of the Borrower, no Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA.

5.1.17 EMPLOYMENT MATTERS.

Each of the Loan Parties and each of their Subsidiaries is in substantial compliance with the Labor Contracts and all applicable federal, state and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls and worker and unemployment compensation, where the failure to comply would constitute a Material Adverse Change. There are no outstanding grievances, arbitration awards or appeals therefrom arising out of the Labor Contracts or current or threatened strikes, picketing, handbilling or other work stoppages or slowdowns at facilities of any of the Loan Parties or any of their Subsidiaries which in any case would constitute a Material Adverse Change.

5.1.18 ENVIRONMENTAL MATTERS.

The Loan Parties and their Subsidiaries are and have been in substantial compliance with all Environmental Laws, except where the failure to so comply could not reasonably be expected to result in a Material Adverse Change. Neither any property of any Loan Party or any Subsidiary of any Loan Party nor their respective operations conducted thereon violates any order of any court of governmental authority made pursuant to Environmental Laws except for noncompliance with respect thereto which could not reasonably be expected to result in a Material Adverse Change. There are no threatened or pending Environmental Claims against any Loan Party or any Subsidiary of any Loan Party which could reasonably be expected to result in a Material Adverse Change. Neither any Loan Party nor any Subsidiary of any Loan Party has received any notice from any governmental or regulatory authority regarding actual or contingent liability in connection with any release or threatened release of any Hazardous Substance into the environment which actual or contingent liability could reasonably be expected to result in a Material Adverse Change.

5.1.19 SENIOR DEBT STATUS.

The Obligations of each Loan Party under this Agreement, the Guaranty Agreement and each of the other Loan Documents to which it is a party do rank and will rank at least PARI PASSU in priority of payment with all other Indebtedness of such Loan Party except Indebtedness of such Loan Party to the extent secured by Permitted Liens. There is no Lien upon or with respect to any of the properties or income of any Loan Party or Subsidiary of any Loan Party which secures indebtedness or other obligations of any Person except for Permitted Liens.

5.2. CONTINUATION OF REPRESENTATIONS.

The Borrower makes the representations and warranties in this Section 5 on the date hereof and on the Closing Date and each date thereafter on which a Loan is made or a Letter of Credit is issued as provided in and subject to Sections 6.1 and 6.2.

6. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Bank to make Loans and of the Issuing Bank to issue Letters of Credit hereunder is subject to the performance by the Borrower of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

6.1. FIRST LOANS AND LETTERS OF CREDIT.

On the Closing Date:

6.1.1 OFFICER'S CERTIFICATE.

The representations and warranties of the Borrower contained in Section 5 and of each Loan Party in each of the other Loan Documents shall be true and accurate on and as of the Closing Date (with each such representation and warranty to be made after giving effect to the consummation of the Merger) with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Administrative Agent for the benefit of each Bank a certificate of the Borrower dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower to each such effect.

6.1.2 SECRETARY'S CERTIFICATE.

There shall be delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary of each of the Loan Parties, certifying as appropriate as to:

(i) all action taken by each Loan Party in connection with this Agreement and the other Loan Documents;

(ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of each Loan Party for purposes of this Agreement and the true signatures of such officers, on which the Administrative Agent and each Bank may conclusively rely; and

(iii) in the case of the Borrower, copies of its organizational documents, including its certificate of incorporation and bylaws as in effect on the Closing Date and in the case of the certificate of incorporation certified by the appropriate state official where such documents are filed in a state office together with certificates from the

appropriate state officials as to the continued existence and good standing of the Borrower in the state of its formation and the state of its principal place of business.

6.1.3 DELIVERY OF GUARANTY AGREEMENTS.

The Guaranty Agreement shall have been duly executed and delivered to the Administrative Agent for the benefit of the Banks.

6.1.4 OPINION OF COUNSEL.

There shall be delivered to the Administrative Agent for the benefit of each Bank a written opinion of Jeffrey N. Quinn, the General Counsel for the Loan Parties (who may rely on the opinions of such other counsel as may be acceptable to the Administrative Agent), dated the Closing Date and in form and substance satisfactory to the Administrative Agent and its counsel:

6.1.4; and (i) as to the matters set forth in EXHIBIT

(ii) as to such other matters incident to the transactions contemplated herein as the Administrative Agent may reasonably request.

6.1.5 LEGAL DETAILS.

All legal details and proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents and the Merger Agreement and the Merger Documents shall be in form and substance satisfactory to the Administrative Agent and counsel for the Administrative Agent, and the Administrative Agent shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Administrative Agent and said counsel, as the Administrative Agent or said counsel may reasonably request.

6.1.6 PAYMENT OF FEES.

The Borrower shall have paid or caused to be paid to the Administrative Agent for itself and for the account of the Banks to the extent not previously paid the Facility Fees, all other commitment and other fees accrued through the Closing Date and the costs and expenses for which the Agents and the Banks are entitled to be reimbursed.

6.1.7 CONSENTS.

All material consents required to effectuate the transactions contemplated by the Loan Documents and by the Merger Agreement and the other Merger Documents shall have been obtained, except for those consents disclosed on Schedule 5.1.11.

6.1.8 OFFICER'S CERTIFICATE REGARDING MACS.

Since December 31, 1996, no Material Adverse Change shall have occurred; prior to the Closing Date, there shall have been no material change in the management of the Borrower (other than those changes in management of the Borrower in connection with the Merger as described in the Form S-4 of Arch Mineral Corporation, dated May 30, 1997, as filed with the SEC); and there shall have been delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower to each such effect.

6.1.9 NO VIOLATION OF LAWS.

The making of the Loans, the issuance of the Letters of Credit and the consummation of the Merger and of the transactions contemplated by the Merger Documents shall not contravene any Law applicable to any Loan Party or any of the Banks.

6.1.10 NO ACTIONS OR PROCEEDINGS.

No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Agreement, the other Loan Documents, the Merger, the Merger Documents or the consummation of the transactions contemplated hereby or thereby or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents.

6.1.11 MERGER.

The Merger shall have been consummated in accordance with the terms of the Merger Agreement, and an Authorized Officer of the Borrower shall certify the foregoing to the Administrative Agent for the benefit of each Bank. The Borrower shall have delivered to the Administrative Agent the Certificate of Merger as filed by the Borrower with the Secretary of State of the State of Delaware as certified by the Secretary of State of the State of Delaware, evidencing the consummation of the Merger.

6.1.12 FINANCIAL PROJECTIONS; CLOSING DATE BALANCE SHEET.

The Borrower shall have provided to the Banks pro-forma financial projections (the "Financial Projections") for the five year period following the Closing Date, including a balance sheet and statement of income, with all such Financial Projections to be satisfactory in form and substance to the Required Banks.

6.1.13 PAYOFF OF EXISTING INDEBTEDNESS.

On or before the Closing Date, the Borrower shall have: (x) repaid all Indebtedness, obligations, fees, interest, principal, and all other amounts owing under the Existing Credit Facilities, (y) obtained releases and shall have terminated of record all Liens with respect to the Existing Credit Facilities, and (z) terminated the Existing Credit Facilities and all commitments to make loans or issue Letters of Credit thereunder, and the Borrower shall have provided evidence of all of the foregoing to the Required Banks to the satisfaction of the Required Banks in their sole discretion.

6.2. EACH ADDITIONAL LOAN OR LETTER OF CREDIT.

At the time of making any Loans or issuing any Letters of Credit other than Loans made or Letters of Credit issued on the Closing Date and after giving effect to the proposed extensions of credit: the representations and warranties of the Borrower contained in Section 5 and of the Loan Parties in the other Loan Documents shall be true on and as of the date of such additional Loan or Letter of Credit with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein) and the Borrower shall have performed and complied with all covenants and conditions hereof; no Event of Default or Potential Default shall have occurred and be continuing or shall exist; the making of the Loans or issuance of such Letter of Credit shall not contravene any Law applicable to the Borrower or any Subsidiary of the Borrower or any of the Banks; and the Borrower shall have delivered to the Administrative Agent, (and either each Issuing Bank, in the case of or request for a Letter of Credit, and PNC Bank in the case of a request for a Swing Loan) a duly executed and completed Loan Request or application for a Letter of Credit as the case may be.

6.3. SYNDICATION.

6.3.1 SYNDICATION DATE REPRESENTATIONS AND WARRANTIES.

(a) On the Syndication Date, the representations and warranties of the Borrower contained in Article 5 and in the other Loan Documents shall be true with the same effect as though such representations and warranties had been made on such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein) and the Borrower shall have performed and complied with all covenants and conditions hereof, and no Event of Default or Potential Default shall have occurred and be continuing or shall exist.

(b) On the Syndication Date, the Loan Parties shall deliver to the Administrative Agent for the benefit of the Banks (a) an Officer's Certificate dated as of the Syndication Date with respect to the matters set forth in Sections 6.3.1(a), (b) a Secretary's Certificate dated as of the Syndication Date with respect to the matters set forth in Section 6.1.2 and

stating that there have been no changes in the charter documents or bylaws of the Borrower or any other Loan Party since the Closing Date, (c) Revolving Credit Notes and Bid Notes dated as of the Syndication Date which give effect to the syndication on the Syndication Date of the Revolving Credit Commitments of the Revolving Credit Banks which originally executed the Credit Agreement in exchange for the original Revolving Credit Notes and Bid Notes issued to such Banks, (d) written opinions of the counsel to the Loan Parties identified in Section 6.1.4 with respect to such matters as the Administrative Agent may request, and (e) acknowledgments dated as of the Syndication Date to the Loan Documents in form and substance satisfactory to the Administrative Agent.

6.3.2 SYNDICATION COOPERATION.

The Borrower will use all reasonable efforts to assist the Agents in syndicating the credit facilities, including participating in meetings with potential syndicate members.

7. COVENANTS

7.1. AFFIRMATIVE COVENANTS.

The Borrower covenants and agrees that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings, and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Loan Documents and termination of the Commitments, the Borrower shall and shall cause each of its Subsidiaries to comply at all times with the following affirmative covenants:

7.1.1 PRESERVATION OF EXISTENCE, ETC.

The Borrower shall and shall cause each of its Subsidiaries to, maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 7.2.3 [Liquidations, Mergers, Etc.].

7.1.2 PAYMENT OF LIABILITIES, INCLUDING TAXES, ETC.

The Borrower shall and shall cause each of its Subsidiaries to, duly pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of the Borrower or any Subsidiary of the Borrower, PROVIDED that neither the Borrower nor any Subsidiary of the Borrower shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings.

7.1.3 MAINTENANCE OF INSURANCE.

The Borrower shall and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary.

7.1.4 MAINTENANCE OF PROPERTIES AND LEASES.

The Borrower shall and shall cause each of its Subsidiaries to, maintain and preserve all of its respective properties, necessary or useful in the proper conduct of the business of the Borrower or such Subsidiary of the Borrower, in good working order and condition, ordinary wear and tear excepted.

7.1.5 VISITATION RIGHTS.

The Borrower shall and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of the Administrative Agent or any of the Revolving Credit Banks to visit and inspect during normal business hours any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as any of the Revolving Credit Banks may reasonably request, PROVIDED that each Revolving Credit Bank shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection. In the event any Revolving Credit Bank desires to conduct an audit of the Borrower or any Subsidiary of the Borrower, such Revolving Credit Bank shall make a reasonable effort to conduct such audit contemporaneously with any audit to be performed by the Administrative Agent.

7.1.6 KEEPING OF RECORDS AND BOOKS OF ACCOUNT.

The Borrower shall, and shall cause each Subsidiary of the Borrower to, maintain and keep proper books of record and account which enable the Borrower and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over the Borrower or any Subsidiary of the Borrower, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

7.1.7 PLANS AND BENEFIT ARRANGEMENTS.

The Borrower shall, and shall cause each other member of the ERISA Group to, comply with ERISA, the Internal Revenue Code and other applicable Laws applicable to Plans and Benefit Arrangements except where such failure, alone or in conjunction

with any other failure, would not result in a Material Adverse Change. Without limiting the generality of the foregoing, the Borrower shall cause all of its Plans and all Plans maintained by any member of the ERISA Group to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each member of the ERISA Group to make, in a timely manner, all contributions due to Plans, Benefit Arrangements and Multiemployer Plans.

7.1.8 COMPLIANCE WITH LAWS.

The Borrower shall and shall cause each of its Subsidiaries to, comply with all applicable Laws, including all Environmental Laws, in all respects, PROVIDED that it shall not be deemed to be a violation of this Section 7.1.8 if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change. Without limiting the generality of the foregoing, the Borrower shall and shall cause each of its Subsidiaries to comply with all Environmental Permits applicable to their respective operations and properties; obtain and renew all Environmental Permits necessary for their respective operations and properties; and manage, use and handle all Hazardous Substances in compliance with all applicable Environmental Laws, in each case, except for such non-compliance which would not or could not reasonably be expected to have a Material Adverse Change.

7.1.9 USE OF PROCEEDS.

The Borrower will use the Letters of Credit and the proceeds of the Loans only for (i) general corporate purposes and for working capital, or (ii) to repay all Indebtedness (including, without limitation, all interest, principal, fees, all obligations and other amounts due and owing) and terminate all commitments under the Existing Credit Facilities. The Borrower's use of the Letters of Credit and the proceeds of the Loans shall not be for any purpose which contravenes any applicable Law or any provision hereof.

7.1.10 OPERATION OF MINES.

The Borrower shall and shall cause each of its Subsidiaries to operate their mines in all material respects in accordance with sound coal mining practices and all applicable Federal, state and local laws, rules and regulations, including, without limitation, laws and regulations relating to land reclamation, pollution control and mine safety.

7.1.11 REPAYMENT OF CERTAIN INDEBTEDNESS.

The Borrower shall cause all outstanding principal, interest, fees, and all other amounts due and owing under that certain Note Agreement for \$52,900,000 of 9.66% Senior Notes of Ashland Coal, Inc., due May 15, 2006, as amended and under that certain Note Agreement for \$100,000,000 9.78% Senior Notes of Ashland Coal, Inc., due September 15, 2000, as amended, to be repaid in the event the lenders thereunder required to consent to the "Change of Control", as defined in such note agreements, shall have not granted such consent in accordance with the terms of such note agreements on or before September 1, 1997.

7.2. NEGATIVE COVENANTS.

The Borrower covenants and agrees that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and termination of the Commitments, the Borrower shall and shall cause each of its Subsidiaries to comply with the following negative covenants:

7.2.1 INDEBTEDNESS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness under the Loan Documents; and

(ii) additional Indebtedness of the Borrower or any Loan Party so long as, both before and after giving effect to any proposed additional Indebtedness:

(y) the Borrower and its Subsidiaries shall be in compliance with Section 7.2.10 [Maximum Leverage Ratio] and Section 7.2.11 [Minimum Interest Coverage Ratio], determined on a pro forma basis (in the case of the Interest Coverage Ratio, as of the end of the calendar quarter most recently ended and in the case of both the Interest Coverage Ratio and the Leverage Ratio, as if such proposed additional Indebtedness were then outstanding), and

(z) the covenants and defaults applicable in respect of such proposed additional Indebtedness (other than the financial covenants included in the Private Placement Agreements on the Closing Date, without any further amendment thereto to make such covenants more restrictive, which amendment is expressly prohibited) are not, taken as a whole, materially more restrictive with respect to the Borrower and its Subsidiaries than the covenants and defaults under this Agreement;

7.2.2 LIENS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens so long as the aggregate amount of all payments by any such person in respect of all operating leases which subject the assets of the Borrower or any of its Subsidiaries to any Permitted Lien (as the type of such lease and the amount of such payments would be determined under GAAP) and all Indebtedness secured by such Permitted Liens does not at any time exceed the greater of (i) \$125,000,000, or (ii) the amount equal to five percent (5%) of the total assets of the Borrower and its Subsidiaries, as determined and consolidated in accordance with GAAP.

7.2.3 LIQUIDATIONS, MERGERS, CONSOLIDATIONS,
ACQUISITIONS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person, PROVIDED that

(1) any Subsidiary of the Borrower may consolidate or merge into any other Subsidiary of the Borrower, and

(2) any Loan Party may acquire, whether by purchase or by merger, (A) all of the ownership interests of another Person or (B) substantially all of assets of another Person or of a business or division of another Person (each a "Permitted Acquisition"), PROVIDED that each of the following requirements is met:

(i) the board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition;

(ii) the business acquired, or the business conducted by the Person whose ownership interests are being acquired, as applicable, shall be substantially the same as one or more line or lines of business conducted by the Loan Parties and shall comply with Section 7.2.7 [Continuation of or Change in Business];

(iii) no Potential Default or Event of Default shall exist immediately prior to and after giving effect to such Permitted Acquisition;

(iv) the Borrower and its Subsidiaries shall be in compliance with the covenants contained in Sections 7.2.10 [Maximum Leverage Ratio] and 7.2.11 [Minimum Interest Coverage Ratio] determined on a pro forma basis after giving effect to such Permitted Acquisition (including in such computation Indebtedness or other liabilities assumed or incurred in connection with such Permitted Acquisition).

7.2.4 DISPOSITIONS OF ASSETS OR SUBSIDIARIES.

The Borrower shall not, and shall not permit any of its Subsidiaries to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary of the Borrower), except:

(i) transactions involving the sale of inventory in the ordinary course of business;

(ii) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of the Borrower's or such Subsidiary's business;

(iii) any sale, transfer or lease of assets by any wholly-owned Subsidiary of the Borrower to the Borrower or to any other wholly-owned Subsidiary of the Borrower;

(iv) any sale, transfer or lease of assets in the ordinary course of business which are replaced by substitute assets (acquired or leased); or

(v) any sale, transfer or lease (including any lease transaction under Section 7.2.9) of assets, other than those specifically excepted pursuant to clauses (i) through (iv) above, provided that (i) at the time of any disposition, no Event of Default shall exist or shall result from such disposition, and (ii) the aggregate net book value of all assets so sold by the Borrower and its Subsidiaries shall not exceed in any calendar year the greater of (x) \$100,000,000 or (y) 5% of the total assets of the Borrower and its Subsidiaries (as of the last day of such calendar year), determined and consolidated in accordance with GAAP.

7.2.5 AFFILIATE TRANSACTIONS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into or carry out any transaction (including purchasing property or services from or selling property or services to any Affiliate of the Borrower or any Subsidiary of the Borrower or other Person) unless such transaction is not otherwise prohibited by this Agreement and is entered into in the ordinary course of business upon fair and reasonable arm's length terms and conditions.

7.2.6 SUBSIDIARIES, PARTNERSHIPS AND JOINT VENTURES.

The Borrower shall not, and shall not permit any of its Subsidiaries to, own or create directly or indirectly any Subsidiaries other than (i) any Significant Subsidiary which has joined this Agreement as Guarantor on the Closing Date; (ii) any Significant Subsidiary formed or acquired after the Closing Date which becomes a Guarantor in accordance with Section 10.18 [Joinder of Guarantors]; (iii) any Subsidiary which after the Closing Date becomes a Significant Subsidiary and which upon becoming a Significant Subsidiary becomes a Guarantor in accordance with Section 10.18 [Joinder of Guarantors] and (iv) any Subsidiary which is not a Significant Subsidiary. The Borrower shall cause any of its Subsidiaries which at any time becomes a Significant Subsidiary to become a Guarantor in accordance with Section 10.18 [Joinder of Guarantors]. Notwithstanding the foregoing provisions of this Section 7.2.7, with respect to those Significant Subsidiaries of Ashland Coal, Inc., as of the Closing Date, the Borrower shall cause such Significant Subsidiaries to join the Guaranty Agreement in accordance with Section 10.18 within thirty (30) days following the Closing Date. Neither the Borrower nor any Subsidiary of the Borrower shall become or agree to (1) become a general or limited partner in any general or limited partnership, except that the Loan Parties may be general

or limited partners in other Loan Parties or may make Investments in joint ventures (so as long as the joint venture is engaged in a line of business permitted by Section 7.2.7 [Continuation of or Change in Business] and such joint venture interests are acquired in an arms-length transaction); provided, however, that the aggregate permitted Investments in all joint ventures shall not at any time exceed, for all Loan Parties and their Subsidiaries, \$30 million, or (2) become a member or manager of, or hold a limited liability company interest in, a limited liability company, except that the Loan Parties may be members or managers of, or hold limited liability company interests in, other Loan Parties.

7.2.7 CONTINUATION OF OR CHANGE IN BUSINESS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, engage in any business other than the business substantially as conducted and operated by the Borrower or such Subsidiary as of the date of consummation of the Merger and any business substantially related thereto, and neither the Borrower nor any Subsidiary of the Borrower shall permit any material change in such business.

7.2.8 PLANS AND BENEFIT ARRANGEMENTS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA or otherwise violate ERISA:

7.2.9 OFF-BALANCE SHEET FINANCING.

The Borrower shall not, and shall not permit any of its Subsidiaries to, engage in any off-balance sheet transaction (i.e., the liabilities in respect of which do not appear on the liability side of the balance sheet) providing the functional equivalent of borrowed money (including asset securitizations, sale/leasebacks, Synthetic Leases or other non-capital leases), in excess in the aggregate for the Borrower and its Subsidiaries, as of any date of determination of the greater of (x) \$100,000,000, or (y) 5% of total assets of the Borrower and its Subsidiaries, determined and consolidated in accordance with GAAP as of the date of determination. For purposes of this Section 7.2.9, a "Synthetic Lease" shall mean any lease transaction under which the parties intend that (i) the lease will be treated as an "operating lease" by the lessee pursuant to Statement of Financial Accounting Standards No. 13, as amended, and (ii) the lessee will be entitled to various tax benefits ordinarily available to owners (as opposed to lessees) of like property.

7.2.10 MAXIMUM LEVERAGE RATIO.

The Borrower shall not at any time permit Consolidated Debt to exceed sixty percent (60%) of Consolidated Capitalization.

7.2.11 MINIMUM INTEREST COVERAGE RATIO.

The Borrower shall not permit the ratio of Consolidated EBITDA to consolidated net interest expense of the Borrower and its Subsidiaries, calculated as of the last day of each calendar quarter for the four calendar quarters then ended, to be less than 3.0 to 1.0.

7.2.12 NO RESTRICTION ON DIVIDENDS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into or be bound by any agreement which prohibits or restricts, in any manner, the payment of dividends (whether in cash, securities, property or otherwise).

7.3. REPORTING REQUIREMENTS.

The Borrower covenants and agrees that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and under the other Loan Documents and termination of the Commitments, the Borrower will furnish or cause to be furnished to the Administrative Agent and each of the Revolving Credit Banks:

7.3.1 QUARTERLY FINANCIAL STATEMENTS.

As soon as available and in any event within forty-five (45) calendar days after the end of each of the first three fiscal quarters in each fiscal year, financial statements of the Borrower, consisting of a consolidated balance sheet as of the end of such fiscal quarter and related consolidated statements of income, stockholders' equity and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year. The Borrower will be deemed to have complied with the delivery requirements of this Section 7.3.1 if within forty-five (45) days after the end of its fiscal quarter, the Borrower delivers to the Administrative Agents and each of the Banks a copy of the Borrower's Form 10-Q as filed with the SEC and the financial statements contained therein meets the requirements described in this Section.

7.3.2 ANNUAL FINANCIAL STATEMENTS.

As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Borrower, financial statements of the Borrower consisting of a consolidated balance sheet as of the end of such fiscal year, and related consolidated statements of income, stockholders' equity and cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and certified by independent certified public accountants of nationally

recognized standing satisfactory to the Administrative Agent. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur) and shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement or duty of any Loan Party under any of the Loan Documents. The Borrower will be deemed to have complied with the delivery requirements of this Section 7.3.2 if within ninety (90) days after the end of its fiscal year, the Borrower delivers to the Administrative Agent and each of the Banks a copy of the Borrower's Annual Report and Form 10-K as filed with the SEC and the financial statements and certification of public accountants contained therein meets the requirements described in this Section.

7.3.3 CERTIFICATE OF THE BORROWER.

Concurrently with the financial statements of the Borrower furnished to the Administrative Agent and to the Revolving Credit Banks pursuant to Sections 7.3.1 [Quarterly Financial Statements] and 7.3.2 [Annual Financial Statements], a certificate of the Borrower signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower, in the form of EXHIBIT 7.3.3, to the effect that, except as described pursuant to Section 7.3.4 [Notice of Default], (i) the representations and warranties of the Borrower contained in Section 5 and in the other Loan Documents are true on and as of the date of such certificate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time which shall be true and correct on and as of the specific dates or times referred to therein) and the Loan Parties have performed and complied with all covenants and conditions hereof, (ii) no Event of Default or Potential Default exists and is continuing on the date of such certificate and (iii) containing calculations in sufficient detail to demonstrate compliance as of the date of such financial statements with all financial covenants contained in Section 7.2 [Negative Covenants].

7.3.4 NOTICE OF DEFAULT.

Promptly after any officer of the Borrower has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower setting forth the details of such Event of Default or Potential Default and the action which the Borrower proposes to take with respect thereto.

7.3.5 NOTICE OF LITIGATION.

Promptly after the commencement thereof or promptly after the determination thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person against any Loan Party or any Subsidiary of any Loan Party, which (x) involve or could be reasonably expected to involve assessments against any Loan Party or any Subsidiary of any Loan Party in excess of \$10,000,000, individually or in the aggregate,

or (y) involve a claim or series of claims which if adversely determined would constitute a Material Adverse Change.

7.3.6 NOTICE OF CHANGE IN DEBT RATING.

Within two (2) Business Days after Standard & Poor's or Moody's announces a change in the Borrower's Debt Rating, notice of such change. Borrower will deliver together with such notice a copy of any written notification which Borrower received from the applicable rating agency regarding such change of Debt Rating.

7.3.7 NOTICES REGARDING PLANS AND BENEFIT ARRANGEMENTS.

7.3.7.1 CERTAIN EVENTS.

Promptly upon becoming aware of the occurrence thereof, notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of:

(i) any Reportable Event with respect to the Borrower or any other member of the ERISA Group (regardless of whether the obligation to report said Reportable Event to the PBGC has been waived),

(ii) any Prohibited Transaction which could subject the Borrower or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement or any trust created thereunder,

(iii) any assertion of material withdrawal liability with respect to any Multiemployer Plan,

(iv) any partial or complete withdrawal from a Multiemployer Plan by the Borrower or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), where such withdrawal is likely to result in material withdrawal liability,

(v) any cessation of operations (by the Borrower or any other member of the ERISA Group) at a facility in the circumstances described in Section 4062(e) of ERISA,

(vi) withdrawal by the Borrower or any other member of the ERISA Group from a Multiple Employer Plan,

(vii) a failure by the Borrower or any other member of the ERISA Group to make a payment to a Plan required to avoid imposition of a Lien under Section 302(f) of ERISA,

(viii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or

(ix) any change in the actuarial assumptions or funding methods used for any Plan, where the effect of such change is to materially increase or materially reduce the unfunded benefit liability or obligation to make periodic contributions.

7.3.7.2 NOTICES OF INVOLUNTARY TERMINATION AND ANNUAL REPORTS.

As soon as available or within thirty (30) days after receipt thereof, copies of (a) all notices received by the Borrower or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by the Borrower or any member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of the Administrative Agent or any Bank each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each Plan administered or maintained by the Borrower or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of the Borrower or any other member of the ERISA Group in which any of their personnel participate or from which such personnel may derive a benefit, and each Schedule B (Actuarial Information) to the annual report filed by the Borrower or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

7.3.7.3 NOTICE OF VOLUNTARY TERMINATION.

Promptly upon the filing thereof, copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any Plan.

8. DEFAULT

8.1. EVENTS OF DEFAULT.

An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

8.1.1 PAYMENTS UNDER LOAN DOCUMENTS.

The Borrower shall fail to pay (i) any principal of any Loan (including scheduled installments, mandatory prepayments or the payment due at maturity), Reimbursement Obligation or Letter of Credit Borrowing when such principal is due hereunder or (ii) any interest on any Loan, Reimbursement Obligation or Letter of Credit Borrowing or any

other amount owing hereunder or under the other Loan Documents within three (3) Business Days after such interest or other amount becomes due in accordance with the terms hereof or thereof;

8.1.2 BREACH OF WARRANTY.

Any representation or warranty made at any time by the Borrower herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

8.1.3 BREACH OF NEGATIVE COVENANTS OR VISITATION RIGHTS.

Any of the Loan Parties shall default in the observance or performance of any covenant contained in Section 7.1.5 [Visitation Rights] or Section 7.2 [Negative Covenants];

8.1.4 BREACH OF OTHER COVENANTS.

Any of the Loan Parties shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of thirty (30) Business Days after any officer of any Loan Party becomes aware of the occurrence thereof (such grace period to be applicable only in the event such default can be remedied by corrective action of the Loan Parties as determined by the Administrative Agent in its sole discretion);

8.1.5 DEFAULTS IN OTHER AGREEMENTS OR INDEBTEDNESS.

A default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor in excess of \$10,000,000 in the aggregate, and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any indebtedness when due (whether at stated maturity, by acceleration or otherwise) or if such breach or default permits or causes the acceleration of any indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

8.1.6 JUDGMENTS OR ORDERS.

Any judgments or orders for the payment of money in excess of \$10,000,000 in the aggregate shall be entered against any Loan Party by a court having jurisdiction in the premises, which judgment is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry; PROVIDED, HOWEVER, that any such judgment or order shall not be an Event of Default under this Section 8.1.6 [Judgments

or Orders] if and for so long as (i) the amount of such judgment or order in excess of \$10,000,000 is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (ii) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order.

8.1.7 LOAN DOCUMENT UNENFORCEABLE.

Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective Liens, security interests, rights, titles, interests, remedies, powers or privileges intended to be created thereby;

8.1.8 UNINSURED LOSSES; PROCEEDINGS AGAINST ASSETS.

Any of the Loan Parties' or any of their Subsidiaries' assets are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter;

8.1.9 NOTICE OF LIEN OR ASSESSMENT.

A notice of Lien or assessment in excess of \$10,000,000 which is not a Permitted Lien is filed of record with respect to all or any part of any of the Loan Parties' or any of their Subsidiaries' assets by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC, or any taxes or debts owing at any time or times hereafter to any one of these becomes payable and the same is not paid within thirty (30) days after the same becomes payable;

8.1.10 INSOLVENCY.

Any Loan Party or any Subsidiary of a Loan Party ceases to be solvent or admits in writing its inability to pay its debts as they mature;

8.1.11 EVENTS RELATING TO PLANS AND BENEFIT ARRANGEMENTS.

Any of the following occurs: (i) any Reportable Event, which the Administrative Agent determines in good faith constitutes grounds for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) proceedings shall have been instituted or other action taken to terminate any Plan, or a termination notice shall have been filed with respect to any Plan; (iii) a

trustee shall be appointed to administer or liquidate any Plan; (iv) the PBGC shall give notice of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; and, in the case of the occurrence of (i), (ii), (iii) or (iv) above, the Administrative Agent determines in good faith that the amount of the Borrower's liability is likely to exceed 10% of its Consolidated Tangible Net Worth; (v) the Borrower or any member of the ERISA Group shall fail to make any contributions when due to a Plan or a Multiemployer Plan; (vi) the Borrower or any other member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vii) the Borrower or any other member of the ERISA Group shall withdraw completely or partially from a Multiemployer Plan; (viii) the Borrower or any other member of the ERISA Group shall withdraw (or shall be deemed under Section 4062(e) of ERISA to withdraw) from a Multiple Employer Plan; or (ix) any applicable Law is adopted, changed or interpreted by any Official Body with respect to or otherwise affecting one or more Plans, Multiemployer Plans or Benefit Arrangements and, with respect to any of the events specified in (v), (vi), (vii), (viii) or (ix), the Administrative Agent determines in good faith that any such occurrence would be reasonably likely to materially and adversely affect the total enterprise represented by the Borrower and the other members of the ERISA Group;

8.1.12 CESSATION OF BUSINESS.

The Loan Parties, taken as a whole, cease to conduct their business as contemplated, except as expressly permitted under Section 7.2.3 [Liquidations, Mergers, Etc.] or 7.2.4 [Dispositions of Assets and Subsidiaries], or are enjoined, restrained or in any way prevented by court order from conducting all or any material part of their business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof;

8.1.13 CHANGE OF CONTROL.

(i) Following the Merger, any person or group of persons (within the meaning of Sections 13(d) or 14(a) of the Securities Exchange Act of 1934, as amended) other than Ashland Inc. shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) 35% or more of the voting capital stock of the Borrower; or (ii) within a period of twelve (12) consecutive calendar months, individuals who were directors of the Borrower on the first day of such period shall cease to constitute a majority of the board of directors of the Borrower;

8.1.14 INVOLUNTARY PROCEEDINGS.

A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of any Loan Party or Subsidiary of a Loan Party in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or Subsidiary of a Loan Party for any substantial part of its property, or for the

winding-up or liquidation of its affairs, and such proceeding shall remain undisguised or unseated and in effect for a period of thirty (30) consecutive days or such court shall enter a decree or order granting any of the relief sought in such proceeding; or

8.1.15 VOLUNTARY PROCEEDINGS.

Any Loan Party or Subsidiary of a Loan Party shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing.

8.2. CONSEQUENCES OF EVENT OF DEFAULT.

8.2.1 EVENTS OF DEFAULT OTHER THAN BANKRUPTCY, INSOLVENCY OR REORGANIZATION PROCEEDINGS.

If an Event of Default specified under Sections 8.1.1 through 8.1.13 shall occur and be continuing, the Banks and the Administrative Agent shall be under no further obligation to make Revolving Credit Loans, Swing Loans or Bid Loans or issue Letters of Credit, as the case may be, and the Administrative Agent may, and upon the request of the Required Banks, shall by written notice to the Borrower, take one or both of the following actions: (i) terminate the Commitments and thereupon the Commitments shall be terminated and of no further force and effect, or (ii) declare the unpaid principal amount of the Revolving Credit Loans and Swing Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Revolving Credit Banks hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Administrative Agent for the benefit of each Revolving Credit Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (iii) require the Borrower to, and the Borrower shall thereupon, deposit in a non-interest-bearing account with the Administrative Agent, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Administrative Agent and the Banks, and grants to the Administrative Agent and the Banks a security interest in, all such cash as security for such Obligations. Upon the curing of all existing Events of Default to the satisfaction of the Required Banks, the Administrative Agent shall return such cash collateral to the Borrower; and

8.2.2 BANKRUPTCY, INSOLVENCY OR REORGANIZATION PROCEEDINGS.

If an Event of Default specified under Section 8.1.14 [Involuntary Proceedings] or 8.1.15 [Voluntary Proceedings] shall occur, the Commitments shall

automatically terminate and be of no further force and effect, the Banks shall be under no further obligations to make Revolving Credit Loans, Swing Loans or Bid Loans hereunder or to issue Letters of Credit and the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Banks hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived; and

8.2.3 SET-OFF.

If an Event of Default shall occur and be continuing, any Bank to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Bank which has agreed in writing to be bound by the provisions of Section 9.13 [Equalization of Banks] and any branch, Subsidiary or Affiliate of such Bank or participant anywhere in the world shall have the right, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set-off against and apply to the then unpaid balance of all the Loans and all other Obligations of the Borrower and the other Loan Parties hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrower or such other Loan Party by such Bank or participant or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower or such other Loan Party for its own account (but not including funds held in custodian or trust accounts) with such Bank or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Bank or the Administrative Agent shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrower or such other Loan Party is or are matured or unmatured and regardless of the existence or adequacy of any Guaranty or any other security, right or remedy available to any Bank or the Administrative Agent; and

8.2.4 SUITS, ACTIONS, PROCEEDINGS.

If an Event of Default shall occur and be continuing, and whether or not the Administrative Agent shall have accelerated the maturity of Committed Loans pursuant to any of the foregoing provisions of this Section 8.2, the Agents or any Bank, if owed any amount with respect to the Loans, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents, including as permitted by applicable Law the obtaining of the EX PARTE appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of any Agent or such Bank; and

8.2.5 APPLICATION OF PROCEEDS.

From and after the date on which the Administrative Agent shall have taken any action pursuant to this Section 8.2 and until all Obligations of the Loan Parties

have been paid in full, any and all proceeds received by the Administrative Agent from the exercise of any remedy by the Administrative Agent, shall be applied as follows:

(i) first, to reimburse the Administrative Agent and the Banks for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by the Administrative Agent or the Banks in connection with collection of any Obligations of any of the Loan Parties under any of the Loan Documents;

(ii) second, to the repayment of all Indebtedness then due and unpaid of the Loan Parties to the Banks incurred under this Agreement or any of the other Loan Documents, whether of principal, interest, fees, expenses or otherwise, in such manner as the Administrative Agent may determine in its discretion; and

(iii) the balance, if any, as required by Law.

8.2.6 OTHER RIGHTS AND REMEDIES.

In addition to all of the rights and remedies contained in this Agreement or in any of the other Loan Documents, the Administrative Agent shall have all of the rights and remedies under applicable Law, all of which rights and remedies shall be cumulative and non-exclusive, to the extent permitted by Law. The Administrative Agent may, and upon the request of the Required Banks shall, exercise all post-default rights granted to the Administrative Agent and the Banks under the Loan Documents or applicable Law.

8.3. RIGHT OF COMPETITIVE BID LOAN BANKS.

If any Event of Default shall occur and be continuing, the Banks which have any Bid Loans then outstanding to the Borrower (the "Bid Loan Banks") shall not be entitled to accelerate payment of the Bid Loans or to exercise any right or remedy related to the collection of the Bid Loans until the Commitments shall be terminated hereunder pursuant to Section 8.2. Upon such a termination of the Commitments: (i) references to Revolving Credit Loans in Section 8.2 shall be deemed to apply also to the Bid Loans and the Bid Loan Banks shall be entitled to all enforcement rights given to a holder of a Revolving Credit Loan in Section 8.2, and (ii) the definition of Required Banks shall be changed as provided in Section 1.1 so that each Bank shall have voting rights hereunder in proportion to its share of the total Loans outstanding; provided that each Designating Bank shall serve as the agent of its Designated Lender and as such shall exercise all voting, approval and related rights on behalf of its Designated Lender as more fully described in Section 10.11.3 and in the Designation Agreement.

9. THE AGENTS

9.1. APPOINTMENT.

Each Bank hereby irrevocably designates, appoints and authorizes: (i) PNC Bank to act as Administrative Agent for such Bank under this Agreement and the other Loan Documents for such Bank under this Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents, and (ii) authorizes each of PNC Bank and Morgan to act as Agent for such Bank under this Agreement. Each Bank hereby irrevocably authorizes, the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Agents, the Administrative Agent or any of them by the terms hereof, together with such powers as are reasonably incidental thereto. PNC Bank agrees to act as the Administrative Agent on behalf of the Banks to the extent provided in this Agreement, and each of PNC Bank and Morgan agrees to act as Agent on behalf of the Banks to the extent provided in this Agreement.

9.2. DELEGATION OF DUTIES.

The Agents and the Administrative Agent may perform any of their respective duties hereunder by or through agents or employees (PROVIDED such delegation does not constitute a relinquishment of their respective duties as Agents or the Administrative Agent, as the case may be) and, subject to Sections 9.5 [Reimbursement and Indemnification of Agents by the Borrower, Etc.] and 9.6 [Exculpatory Provisions; Limitation of Liability], shall be entitled to engage and pay for the advice or services of any attorneys, accountants or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained.

9.3. NATURE OF DUTIES; INDEPENDENT CREDIT INVESTIGATION.

Neither the Agents nor the Administrative Agent shall have any duties or responsibilities except those expressly set forth in this Agreement and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this Agreement or otherwise exist. The duties of the Administrative Agent and of the Agents shall be mechanical and administrative in nature; neither the Administrative Agent nor the Agents shall have by reason of this Agreement a fiduciary or trust relationship in respect of any Bank; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent or any Agent any obligations in respect of this Agreement except as expressly set forth herein. Without limiting the generality of the foregoing, the use of the term "Agents" in this Agreement with reference to the Agents or Administrative Agent, as the case may be, is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Each Bank expressly acknowledges (i) that neither the Administrative Agent nor any Agent has made any representations or warranties to it and that no

act by the Administrative Agent or any Agent hereafter taken, including any review of the affairs of any of the Loan Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent or any Agent to any Bank; (ii) that it has made and will continue to make, without reliance upon the Administrative Agent or any Agent, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of each of the Loan Parties in connection with this Agreement and the making and continuance of the Loans hereunder; and (iii) except as expressly provided herein, that neither the Administrative Agent nor any Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of any Loan, the issuance of any Letter of Credit or at any time or times thereafter.

9.4. ACTIONS IN DISCRETION OF AGENTS; INSTRUCTIONS FROM THE BANKS.

The Administrative Agent and each Agent agrees, upon the written request of the Required Banks, to take or refrain from taking any action of the type specified as being within the Administrative Agent's or such Agent's rights, powers or discretion herein, PROVIDED that neither the Administrative Agent nor any Agent shall be required to take any action which exposes the Administrative Agent or any Agent to personal liability or which is contrary to this Agreement or any other Loan Document or applicable Law. In the absence of a request by the Required Banks, the Administrative Agent and each Agent shall have authority, in their sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of the Required Banks or all of the Banks. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks, subject to Section 9.6 [Exculpatory Provisions, Etc.]. Subject to the provisions of Section 9.6, no Bank shall have any right of action whatsoever against the Administrative Agent or any Agent as a result of the Administrative Agent or any Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Banks, or in the absence of such instructions, in the absolute discretion of the Administrative Agent or the Agents, as the case may be.

9.5. REIMBURSEMENT AND INDEMNIFICATION OF AGENTS BY THE BORROWER.

The Borrower unconditionally agrees to pay or reimburse the Administrative Agent and each Agent and hold the Administrative Agent and each Agent harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including fees and expenses of outside counsel, appraisers and environmental consultants, incurred by the Administrative Agent or any Agent (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation and performance of this Agreement and the other Loan Documents, (ii) relating to any requested amendments, waivers or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (iv) in any workout or restructuring or in connection with the protection, preservation,

exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent or any Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Administrative Agent or any Agent hereunder or thereunder, PROVIDED that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from the Administrative Agent's or any Agent's gross negligence or willful misconduct, or if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld.

9.6. EXCULPATORY PROVISIONS; LIMITATION OF LIABILITY.

Neither the Administrative Agent, any Agent nor any of their respective directors, officers, employees, agents, attorneys or Affiliates shall (a) be liable to any Bank for any action taken or omitted to be taken by it or them hereunder, or in connection herewith including pursuant to any Loan Document, unless caused by its or their own gross negligence or willful misconduct, (b) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity or the due execution of this Agreement or any other Loan Documents or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Agreement or any other Loan Documents, or (c) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions hereof or thereof on the part of the Loan Parties, or the financial condition of the Loan Parties, or the existence or possible existence of any Event of Default or Potential Default. No claim may be made by any of the Loan Parties, any Bank, the Administrative Agent or any Agent or any of their respective Subsidiaries against the Administrative Agent, any Agent, any Bank or any of their respective directors, officers, employees, agents, attorneys or Affiliates, or any of them, for any special, indirect or consequential damages or, to the fullest extent permitted by Law, for any punitive damages in respect of any claim or cause of action (whether based on contract, tort, statutory liability, or any other ground) based on, arising out of or related to any Loan Document or the transactions contemplated hereby or any act, omission or event occurring in connection therewith, including the negotiation, documentation, administration or collection of the Loans, and the Borrower (for itself and on behalf of each of its Subsidiaries), the Administrative Agent, each Agent and each Bank hereby waive, releases and agree never to sue upon any claim for any such damages, whether such claim now exists or hereafter arises and whether or not it is now known or suspected to exist in its favor. Each Bank agrees that, except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent or any Agent hereunder or given to the Administrative Agent or any Agent for the account of or

with copies for the Banks, the Administrative Agent each Agent and each of their respective directors, officers, employees, agents, attorneys or Affiliates shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Loan Parties which may come into the possession of the Administrative Agent, any Agent or any of their directors, officers, employees, agents, attorneys or Affiliates.

9.7. REIMBURSEMENT AND INDEMNIFICATION OF AGENTS BY THE BANKS.

Each Bank agrees to reimburse and indemnify the Administrative Agent and each Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, including attorneys' fees and disbursements (including the allocated costs of staff counsel), and costs of appraisers and environmental consultants, of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent, the Agents, or any of them in their respective capacities as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Administrative Agent or any Agent hereunder or thereunder, PROVIDED that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a) if the same results from the Administrative Agent's or any Agent's gross negligence or willful misconduct, as the case may be, or (b) if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Bank shall remain liable to the extent such failure to give notice does not result in a loss to the Bank), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Bank, which shall not be unreasonably withheld. In addition, each Bank agrees promptly upon demand to reimburse the Administrative Agent and each Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share for all amounts due and payable by the Borrower to the Administrative Agent or the Agents, as the case may be in connection with the periodic audit of the Loan Parties' books, records and business properties by the Administrative Agent or the Agents.

9.8. RELIANCE BY AGENTS.

The Administrative Agent and each Agent shall be entitled to rely upon any writing, telegram, telex or teletype message, resolution, notice, consent, certificate, letter, cablegram, statement, order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Administrative Agent or any Agent. The Administrative Agent and each Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

9.9. NOTICE OF DEFAULT.

Neither the Administrative Agent nor any Agent shall be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default unless such person has received written notice from a Revolving Credit Bank or the Borrower referring to this Agreement, describing such Potential Default or Event of Default and stating that such notice is a "notice of default."

9.10. NOTICES.

Each of the Administrative Agent and each Agent agrees to promptly send to each Revolving Credit Bank a copy of all notices received from the Borrower pursuant to the provisions of this Agreement or the other Loan Documents promptly upon receipt thereof. The Administrative Agent shall promptly notify the Borrower and the other Revolving Credit Banks of each change in the Base Rate and the effective date thereof.

9.11. BANKS IN THEIR INDIVIDUAL CAPACITIES.

With respect to its Revolving Credit Commitment, the Revolving Credit Loans, the Swing Loans, the issuance of any Letter of Credit and any Bid Loans made by it and any other rights and powers given to it as a Revolving Credit Bank hereunder or under any of the other Loan Documents, the Administrative Agent and each Agent shall have the same rights and powers hereunder as any other Revolving Credit Bank and may exercise the same as though it were not the Administrative Agent or an Agent, as the case may be, and the term "Revolving Credit Banks" shall, unless the context otherwise indicates, include the Administrative Agent and each Agent in its individual capacity. PNC Bank and its Affiliates, Morgan and its Affiliates and each of the Banks and their respective Affiliates may, without liability to account, except as prohibited herein, make loans to, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking or trust business with, the Loan Parties and their Affiliates, in the case of the Administrative Agent or any Agent, as though it were not acting as Administrative Agent or Agent, as the case may be, hereunder and in the case of each Bank, as though such Bank were not a Bank hereunder. The Banks acknowledge that, pursuant to such activities, the Administrative Agent or its Affiliates or any Agent or its respective Affiliates may (i) receive information regarding the Loan Parties (including information that may be subject to confidentiality obligations in favor of the Loan Parties) and acknowledge that neither the Administrative Agent nor any Agent shall be under any obligation to provide such information to them, and (ii) accept fees and other consideration from the Loan Parties for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

9.12. HOLDERS OF NOTES.

The Administrative Agent and each Agent may deem and treat any payee of any Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent and the

Agents. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

9.13. EQUALIZATION OF BANKS.

The Banks and the holders of any participations in any Commitments or Loans or other rights or obligations of a Bank hereunder agree among themselves that, with respect to all amounts received by any Bank or any such holder for application on any Obligation hereunder or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments on the Loans, except as otherwise provided in Section 3.4.3 [Agents' and Bank's Rights], 4.4.2 [Replacement of a Bank] or 4.5 [Additional Compensation in Certain Circumstances]. The Banks or any such holder receiving any such amount shall purchase for cash from each of the other Banks an interest in such Bank's Loans in such amount as shall result in a ratable participation by the Banks and each such holder in the aggregate unpaid amount of the Loans, PROVIDED that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

9.14. SUCCESSOR AGENTS.

Any Agent or the Administrative Agent (i) may resign as Agent or Administrative Agent, as the case may be or (ii) shall resign if such resignation is requested by the Required Banks (if the Agent or Administrative Agent is a Revolving Credit Bank, such Agent's or Administrative Agent's Loans and Commitment shall be considered in determining whether the Required Banks have requested such resignation) or required by Section 4.4.2 [Replacement of a Bank], in either case of (i) or (ii) by giving not less than thirty (30) days' prior written notice to the Borrower. If any Agent or the Administrative Agent shall resign under this Agreement, then either (a) the Required Banks shall appoint from among the Revolving Credit Banks a successor to such Agent or Administrative Agent, as the case may be, for the Revolving Credit Banks, subject to the consent of the Borrower, such consent not to be unreasonably withheld, or (b) if a successor Agent or Administrative Agent shall not be so appointed and approved within the thirty (30) day period following an Agent's or the Administrative Agent's notice, as the case may be, to the Revolving Credit Banks of its resignation, then the resigning Administrative Agent or resigning Agent, as the case may be shall appoint, with the consent of the Borrower, such consent not to be unreasonably withheld, a successor who shall serve as Administrative Agent or Agent, as the case may be, until such time as the Required Banks appoint and the Borrower consents to the appointment of a successor to such resigning Administrative Agent or Agent.

Upon its appointment pursuant to either clause (a) or (b) above, such successor Administrative Agent or Agent shall succeed to the rights, powers and duties of the resigning Administrative Agent or Agent, as the case may be, and the terms "Agent" and "Administrative Agent" shall mean such successor Agent or Administrative Agent, as the case may be, effective upon its appointment, and the former Administrative Agent's or Agent's rights, powers and duties as an Agent or Administrative Agent shall be terminated without any other or further act or deed on the part of such former Agent or Administrative Agent or any of the parties to this Agreement. After the resignation of the Administrative Agent or any Agent hereunder, the provisions of this Section 9 shall inure to the benefit of such former Administrative Agent and each former Agent and such former Administrative Agent and each former Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was Administrative Agent or an Agent under this Agreement.

9.15. ADMINISTRATIVE AGENT'S FEE.

The Borrower shall pay to the Administrative Agent a nonrefundable fee (the "Bid Loan Processing Fee") in connection with processing Bid Loans and a nonrefundable fee (the "Administrative Agent's Fee") for the Administrative Agent's services hereunder under the terms of a letter (the "Administrative Agent's Letter") between the Borrower and the Administrative Agent, as amended from time to time.

9.16. AVAILABILITY OF FUNDS.

The Administrative Agent may assume that each Bank has made or will make the proceeds of a Loan available to the Administrative Agent unless the Administrative Agent shall have been notified by such Bank on or before the later of (1) the close of Business on the Business Day preceding the Borrowing Date with respect to such Loan or two (2) hours before the time on which the Administrative Agent actually funds the proceeds of such Loan to the Borrower (whether using its own funds pursuant to this Section 9.16 or using proceeds deposited with the Administrative Agent by the Banks and whether such funding occurs before or after the time on which Banks are required to deposit the proceeds of such Loan with the Administrative Agent). The Administrative Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Bank, the Administrative Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand from the Borrower) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on the date the Administrative Agent recovers such amount, at a rate per annum equal to (i) the Federal Funds Effective Rate during the first three (3) days after such interest shall begin to accrue and (ii) the applicable interest rate in respect of such Loan after the end of such three-day period.

9.17. CALCULATIONS.

In the absence of gross negligence or willful misconduct, the Administrative Agent shall not be liable for any error in computing the amount payable to any Bank whether in respect of the Loans, fees or any other amounts due to the Banks under this Agreement. In the event an error in computing any amount payable to any Bank is made, the Administrative Agent, the Borrower and each affected Bank shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

9.18. BENEFICIARIES.

Except as expressly provided herein, the provisions of this Section 9 are solely for the benefit of the Administrative Agent, each Agent and the Banks, and the Loan Parties shall not have any rights to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent and each Agent shall act solely as the Administrative Agent or Agent, as the case may be, of the Banks and do not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any of the Loan Parties.

10. MISCELLANEOUS

10.1. MODIFICATIONS, AMENDMENTS OR WAIVERS.

With the written consent of the Required Banks, the Administrative Agent, acting on behalf of all the Banks, and the Borrower, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Banks or the Loan Parties hereunder or thereunder, or may grant written waivers or consents to a departure from the due performance of the Obligations of the Loan Parties hereunder or thereunder. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Banks and the Loan Parties; PROVIDED, that, without the written consent of all the Banks, no such agreement, waiver or consent may be made which will:

10.1.1 INCREASE OF REVOLVING CREDIT COMMITMENT;
EXTENSION OF EXPIRATION DATE.

Increase the amount of the Revolving Credit Commitment of any Bank hereunder or extend the Expiration Date;

10.1.2 EXTENSION OF PAYMENT; REDUCTION OF PRINCIPAL INTEREST OR FEES; MODIFICATION OF TERMS OF PAYMENT.

Whether or not any Loans are outstanding, extend the time for payment of principal or interest of any Loan, the Facility Fee or any other fee payable to any Bank, or reduce the principal amount of or the rate of interest borne by any Loan or reduce the Facility Fee or any other fee payable to any Bank, or otherwise affect the terms of payment of the principal of or interest of any Loan, the Facility Fee or any other fee payable to any Bank;

10.1.3 RELEASE OF GUARANTOR.

Release any Guarantor from its Obligations under the Guaranty Agreement or any other security for any of the Loan Parties' Obligations, other than, prior to an Event of Default upon the request by the Borrower to the Administrative Agent of the release from the Guaranty Agreement of any Subsidiary which is no longer a Significant Subsidiary (which request shall be accompanied by evidence satisfactory to the Administrative Agent in its sole discretion that the Subsidiary which the Borrower is requesting be so released from the Guaranty Agreement is no longer a Significant Subsidiary), which release from the Guaranty Agreement of a non Significant Subsidiary may be granted solely by the Administrative Agent without the approval of any Revolving Credit Bank; or

10.1.4 MISCELLANEOUS

Amend Section 4.2 [Pro Rata Treatment of Banks], 9.6 [Exculpatory Provisions, Etc.] or 9.13 [Equalization of Banks] or this Section 10.1, alter any provision regarding the pro rata treatment of the Banks, change the definition of Required Banks, change the definition of Supermajority Required Banks, or change any requirement providing for the Banks, the Supermajority Required Banks or the Required Banks to authorize the taking of any action hereunder; PROVIDED, further, that no agreement, waiver or consent which would modify the interests, rights or obligations of any Agent in its capacity shall be effective without the written consent of such Agent, no agreement, waiver or consent which would modify the interests, rights or obligations of the Administrative Agent in its capacity shall be effective without the written consent of the Administrative Agent, and no agreement, waiver or consent which would modify the interests, rights or obligations of any Issuing Bank as the issuer of Letters of Credit shall be effective without the written consent of such Issuing Bank.

10.2. NO IMPLIED WAIVERS; CUMULATIVE REMEDIES; WRITING REQUIRED.

No course of dealing and no delay or failure of the Administrative Agent, any Agent or any Bank in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Administrative Agent, each Agent and the Banks under this Agreement and any other Loan Documents are

cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of any Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

10.3. REIMBURSEMENT AND INDEMNIFICATION OF BANKS BY THE BORROWER; TAXES.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Bank (other than the Administrative Agent and the Agents, as to which the Borrower's Obligations are set forth in Section 9.5 [Reimbursement and Indemnification of Agents by the Borrower]) and to save such Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of outside counsel) for each Bank (except with respect to (a) and (b) below), incurred by such Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Bank, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Bank hereunder or thereunder, PROVIDED that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (A) if the same results from such Bank's gross negligence or willful misconduct, or (B) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. The Banks will attempt to minimize the fees and expenses of legal counsel for the Banks which are subject to reimbursement by the Borrower hereunder by considering the usage of one law firm to represent the Banks, the Administrative Agent, and the Agents if appropriate under the circumstances. The Borrower agrees unconditionally to pay all stamp, document, transfer, recording or filing taxes or fees and similar impositions now or hereafter determined by the Administrative Agent, any Agent or any Bank to be payable in connection with this Agreement or any other Loan Document, and the Borrower agrees unconditionally to save the Administrative Agent, each Agent and the Banks harmless from and against any and all present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions.

10.4. HOLIDAYS.

Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day and such extension of time shall be included in computing interest and fees, except that the Loans shall be due on the Business Day preceding the Expiration Date if the Expiration Date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day (except as provided in Section 3.2 [Interest Periods] with respect to Interest Periods under the Euro-Rate Option), and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

10.5. FUNDING BY BRANCH, SUBSIDIARY OR AFFILIATE.

10.5.1 NOTIONAL FUNDING.

Each Bank shall have the right from time to time, without notice to the Borrower, to deem any branch, Subsidiary or Affiliate (which for the purposes of this Section 10.5 shall mean any corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Bank) of such Bank to have made, maintained or funded any Loan to which the Euro-Rate Option applies at any time, PROVIDED that immediately following (on the assumption that a payment were then due from the Borrower to such other office), and as a result of such change, the Borrower would not be under any greater financial obligation pursuant to Section 4.5 [Additional Compensation in Certain Circumstances] than it would have been in the absence of such change. Notional funding offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Bank.

10.5.2 ACTUAL FUNDING.

Each Bank shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary or Affiliate of such Bank to make or maintain such Loan subject to the last sentence of this Section 10.5.2. If any Bank causes a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Loans to the same extent as if such Loans were made or maintained by such Bank, but in no event shall any Bank's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder cause such Bank or such branch, Subsidiary or Affiliate to incur any cost or expenses payable by the Borrower hereunder or require the Borrower to pay any other compensation to any Bank (including any expenses incurred or payable pursuant to Section 4.5 [Additional Compensation in Certain Circumstances]) which would otherwise not be incurred.

10.6. NOTICES.

All notices, requests, demands, directions and other communications (as used in this Section 10.6, collectively referred to as "notices") given to or made upon any party hereto under the provisions of this Agreement shall be by telephone or in writing (including telex or facsimile communication) unless otherwise expressly permitted hereunder and shall be delivered or sent by telex or facsimile to the respective parties at the addresses and numbers set forth under their respective names on SCHEDULE 1.1(B) hereof or in accordance with any subsequent unrevoked written direction from any party to the others. All notices shall, except as otherwise expressly herein provided, be effective (a) in the case of telex or facsimile, when received, (b) in the case of hand-delivered notice, when hand-delivered, (c) in the case of telephone, when telephoned, PROVIDED, however, that in order to be effective, telephonic notices must be confirmed in writing no later than the next day by letter, facsimile or telex, (d) if given by mail, four (4) days after such communication is deposited in the mail with first-class postage prepaid, return receipt requested, and (e) if given by any other means (including by air courier), when delivered; provided, that notices to the Agents or to the Administrative Agent shall not be effective until received. Any Bank giving any notice to the Borrower shall simultaneously send a copy thereof to the Administrative Agent, and the Administrative Agent shall promptly notify the other Banks of the receipt by it of any such notice. Each Designated Lender appoints its Designating Bank as its agent for the purpose of delivering and receiving all notices hereunder as more fully set forth in Section 10.11 and in its Designation Agreement with such Designating Bank. Any notice delivered to the Borrower shall be deemed to be notice to the Loan Parties and shall be binding upon all of the Loan Parties.

10.7. SEVERABILITY.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

10.8. GOVERNING LAW.

Each Letter of Credit and Section 2.10 [Letter of Credit Subfacility] shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time, and to the extent not inconsistent therewith, the internal laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles, and the balance of this Agreement shall be deemed to be a contract under the Laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

10.9. PRIOR UNDERSTANDING.

This Agreement and the other Loan Documents supersede all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein and therein, including any prior confidentiality agreements and commitments.

10.10. DURATION; SURVIVAL.

All representations and warranties of the Borrower contained herein or made by any Loan Party in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of this Agreement, any investigation by the Administrative Agent, any Agent or the Banks, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Borrower contained in Sections 7.1 [Affirmative Covenants], 7.2 [Negative Covenants] and 7.3 [Reporting Requirements] herein shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit hereunder and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit. All covenants and agreements of the Borrower contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in Section 4 [Payments] and Sections 9.5 [Reimbursement and Indemnification of Agents by the Borrower], 9.7 [Reimbursement and Indemnification of Agents by Banks] and 10.3 [Reimbursement and Indemnification of Banks by the Borrower Etc.], shall survive payment in full of the Loans, expiration or termination of the Letters of Credit and termination of the Commitments.

10.11. SUCCESSORS AND ASSIGNS.

10.11.1 BINDING EFFECT; ASSIGNMENTS BY BORROWER.

This Agreement shall be binding upon and shall inure to the benefit of the Banks, the Agents, the Administrative Agent, the Issuing Banks, the Borrower and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights and Obligations hereunder or any interest herein without the consent of all of the Revolving Credit Banks (each on its own behalf and on behalf of any Designated Lenders of such Revolving Credit Bank).

10.11.2 ASSIGNMENTS AND PARTICIPATIONS BY BANKS OTHER THAN ASSIGNMENTS OF BID LOANS AMONG DESIGNATING BANKS AND DESIGNATED LENDERS.

This Section shall apply to any assignment or participation by a Bank of its Loans, Letters of Credit Outstandings or Commitments except for assignments or designations of Bid Loans among Designating Banks or Designated Lenders described in Section 10.11.3. Each Revolving Credit Bank may, at its own cost, make assignments of all or any part of its Revolving Credit Commitment and Revolving Credit Loans and Bid Loans and its Ratable

Share of Letter of Credit Outstandings to one or more banks or other entities, subject to the consent of the Borrower (which consent shall not be required during any period in which an Event of Default exists), the applicable Issuing Banks, and the Administrative Agent with respect to any assignee, such consents not to be unreasonably withheld, and PROVIDED that assignments may not be made in amounts less than \$10,000,000 and a Bank may assign a Bid Loan to another Person only if either such Bank is a Revolving Credit Bank and is simultaneously assigning all or a portion of its Revolving Credit Commitment to such Person, or the assignee is already a Revolving Credit Bank hereunder. Each Bank may, at its own cost, grant participations in all or any part of its Revolving Credit Commitment and the Revolving Credit Loans and Bid Loans made by it and of its Ratable Share of Letter of Credit Outstandings to one or more banks or other entities, without the consent of any party hereto. In the case of an assignment of all or any portion of a Revolving Credit Commitment, upon receipt by the Administrative Agent of the Assignment and Assumption Agreement, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it had been a signatory Revolving Credit Bank hereunder, the Revolving Credit Commitments in Section 2.1 shall be adjusted accordingly, and upon surrender of any Revolving Credit Note subject to such assignment, the Borrower shall execute and deliver a new Revolving Credit Note to the assignee in an amount equal to the amount of the Revolving Credit Commitment assumed by it and a new Revolving Credit Note to the assigning Revolving Credit Bank in an amount equal to the Revolving Credit Commitment retained by it hereunder. The assigning Bank shall surrender its Bid Note if it is assigning all of its Revolving Credit Commitment. The Borrower shall execute and deliver to the assignee a Bid Note in the form of EXHIBIT 1.1(B). Any assigning Bank shall pay to the Administrative Agent a service fee in the amount of \$3,500 for each assignment, which amount shall not be subject to reimbursement or indemnification by the Borrower. In the case of a participation, the participant shall have only the rights specified in Section 8.2.3 [Set-Off] (the participant's rights against the selling Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto and not to include any voting rights except with respect to changes of the type referenced in Sections 10.1.1, 10.1.2 and 10.1.3), all of such Bank's obligations under this Agreement or any other Loan Document shall remain unchanged, and all amounts payable by any Loan Party hereunder or thereunder shall be determined as if such Bank had not sold such participation. Any assignee or participant which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower and the Administrative Agent the form of certificate described in Section 10.17 relating to federal income tax withholding. Each Bank may furnish any publicly available information concerning any Loan Party or its Subsidiaries and any other information concerning any Loan Party or its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees or participants), PROVIDED that such assignees and participants agree to be bound by the provisions of Section 10.12.

10.11.3 ASSIGNMENTS OF BID LOANS AMONG DESIGNATING BANKS AND DESIGNATED LENDERS.

10.11.3.1 ASSIGNMENTS TO DESIGNATED LENDERS.

Any Revolving Credit Bank (each a "Designating Bank") may at any time, subject to the consent of the Borrower which consent shall not be unreasonably withheld, and subject to the terms of this Section 10.11.3.1, designate one or more Designated Lenders to fund Bid Loans which the Designating Bank is required to fund. The provisions of Section 10.11.2 shall not apply to any such designation. No Revolving Credit Bank shall be entitled to make more than two such designations. The parties to each such designation shall execute and deliver to the Administrative Agent, for their acceptance, a Designation Agreement. Upon its receipt of an appropriately completed Designation Agreement executed by a Designating Bank, a designee representing that it is a Designated Lender and the Borrower and the Administrative Agent will accept such Designation Agreement. From and after the later of the date on which the Administrative Agent receives the executed Designation Agreement and the effective date specified in the Designation Agreement, the Designated Lender shall become a party to this Agreement with a right to make any Bid Loan on behalf of its Designating Bank pursuant to Section 2.9 after the Borrower has accepted a Bid (or a portion thereof) of the Designating Bank. The Designating Bank shall not be obligated to designate its Designated Lender to fund any Bid Loan, and such Designated Lender shall not be obligated to fund any Bid Loan, each such designation being subject to the agreement of the Designating Bank and its Designated Lender and to be made at the time that such Bid Loan is made. Each Designating Bank shall serve as the agent of the Designated Lender for purposes of giving and receiving all communications and notices and taking all actions hereunder, including without limitation votes, approvals, waivers, consents and amendments under or relating to this Agreement or the other Loan Documents. Any such notice, communication, vote, approval, waiver, consent or amendment shall be signed by the Designating Bank as agent for the Designated Lender and shall not be signed by the Designated Lender. The Borrower, the Agents, the Administrative Agent and the Banks may rely thereon without any requirement that the Designated Lender sign or acknowledge the same. Any Designated Lender which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower and the Administrative Agent the form of certificate described in Section 10.17 relating to federal income tax withholding.

10.11.3.2 ASSIGNMENTS BY DESIGNATED LENDERS.

Any Designated Lender may assign its Bid Loan to its Designating Bank or to another Designated Lender designated by such Designating Bank and such assignment shall not be subject to the requirements of Section 10.11.2, provided that the Designated Lender and Designating Bank shall notify the Administrative Agent promptly of such assignment.

10.11.3.3 WAIVERS AND CERTAIN MATTERS REGARDING
CONDUITS AS DESIGNATING BANKS.

Notwithstanding any provision of this Agreement or any other Loan Document to the contrary, neither the Administrative Agent, any Agent, the Borrower nor any Bank shall institute or join any other person in instituting against Wood Street Funding Corporation, a Delaware corporation (and a Designating Bank, designated by PNC Bank) or against any similar conduit established by any other Designated Lender which has been designated by such Designated Lender as a Designating Bank, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and a day after the Expiration Date of the Credit Agreement.

10.11.4 FOREIGN ASSIGNEES AND PARTICIPANTS.

Any assignee or participant which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower and the Administrative Agent the form of certificate described in Section 10.17 [Tax Withholding Clause] relating to federal income tax withholding. Each Bank may furnish any publicly available information concerning any Loan Party or its Subsidiaries and any other information concerning any Loan Party or its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees or participants), PROVIDED that such assignees and participants agree to be bound by the provisions of Section 10.12 [Confidentiality].

10.11.5 ASSIGNMENTS BY BANKS TO FEDERAL RESERVE BANKS.

Notwithstanding any other provision in this Agreement, any Bank may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement, its Notes (if any) and the other Loan Documents to any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR Section 203.14 without notice to or consent of the Borrower and the Administrative Agent. No such pledge or grant of a security interest shall release the transferor Bank of its obligations hereunder or under any other Loan Document.

10.12. CONFIDENTIALITY.

10.12.1 GENERAL.

The Agents, the Administrative Agent and the Banks each agree to keep confidential all information obtained from any Loan Party or its Subsidiaries which is nonpublic and confidential or proprietary in nature (including any information the Borrower specifically designates as confidential), except as provided below, and to use such information only in connection with their respective capacities under this Agreement and for the purposes contemplated hereby. The Agents, the Administrative Agent and the Banks shall be permitted to disclose such information (i) to outside legal counsel, accountants and other professional

advisors who need to know such information in connection with the administration and enforcement of this Agreement, subject to agreement of such Persons to maintain the confidentiality, (ii) to assignees and participants as contemplated by Section 10.11, (iii) to the extent requested by any bank regulatory authority or, with notice to the Borrower as permitted by applicable Law, as otherwise required by applicable Law or by any subpoena or similar legal process, or in connection with any investigation or proceeding arising out of the transactions contemplated by this Agreement, (iv) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to be subject to confidentiality restrictions, or (v) if the Borrower shall have consented to such disclosure.

10.12.2 SHARING INFORMATION WITH AFFILIATES OF THE BANKS.

The Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Bank or by one or more Subsidiaries or Affiliates of such Bank and the Borrower (on its own behalf and on behalf of its Subsidiaries) hereby authorizes each Bank to share any information delivered to such Bank by the Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement, to any such Subsidiary or Affiliate of such Bank, it being understood that any such Subsidiary or affiliate of any Bank receiving such information shall be bound by the provisions of Section 10.12.1 as if it were a Bank hereunder. Such Authorization shall survive the repayment of the Loans and other Obligations and the termination of the Commitments.

10.13. COUNTERPARTS.

This Agreement may be executed by different parties hereto on any number of separate counterparts, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

10.14. AGENT'S OR BANK'S CONSENT.

Whenever the Administrative Agent's, any Agent's or any Bank's consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition or event, the Administrative Agent, each Agent and each Bank shall be authorized to give or withhold such consent in its sole and absolute discretion and to condition its consent upon the giving of additional collateral, the payment of money or any other matter.

10.15. EXCEPTIONS.

The representations, warranties and covenants contained herein shall be independent of each other, and no exception to any representation, warranty or covenant shall be deemed to be an exception to any other representation, warranty or covenant contained herein

unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

10.16. CONSENT TO FORUM; WAIVER OF JURY TRIAL.

THE BORROWER HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY AND THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO THE BORROWER AT THE ADDRESS PROVIDED FOR IN SECTION 10.6 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. THE BORROWER WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE. THE BORROWER, THE AGENTS, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE COLLATERAL TO THE FULL EXTENT PERMITTED BY LAW.

10.17. TAX WITHHOLDING CLAUSE.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Administrative Agent two (2) duly completed copies of the following: (i) Internal Revenue Service Form W-9, 4224 or 1001, or other applicable form prescribed by the Internal Revenue Service, certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes, or is subject to such tax at a reduced rate under an applicable tax treaty, or (ii) Internal Revenue Service Form W-8 or other applicable form or a certificate of such Bank, assignee or participant indicating that no such exemption or reduced rate is allowable with respect to such payments. Each Bank, assignee or participant required to deliver to the Borrower and the Administrative Agent a form or certificate pursuant to the preceding sentence shall deliver such form or certificate as follows: (A) each Bank which is a party hereto on the Closing Date shall deliver such form or certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrower hereunder for the account of such Bank; (B) each assignee or participant shall deliver such form or certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Administrative Agent in its sole discretion shall permit such assignee or participant to deliver such form or certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Administrative Agent). Each Bank, assignee or participant which so delivers a Form W-8, W-9, 4224 or 1001 further undertakes to

deliver to each of the Borrower and the Administrative Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Administrative Agent, either certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes or is subject to such tax at a reduced rate under an applicable tax treaty or stating that no such exemption or reduced rate is allowable. The Administrative Agent shall be entitled to withhold United States federal income taxes at the full withholding rate unless the Bank, assignee or participant establishes an exemption or that it is subject to a reduced rate as established pursuant to the above provisions.

10.18. JOINDER OF GUARANTORS.

Any Significant Subsidiary of the Borrower which is required to become a Guarantor pursuant to Section 7.2.6 [Subsidiaries, Partnerships and Joint Ventures] shall execute and deliver to the Administrative Agent (i) a Guarantor Joinder in substantially the form attached hereto as EXHIBIT 1.1(G)(1) pursuant to which it shall join as a Guarantor each of the documents to which the Guarantors are parties; and (ii) documents in the forms described in Section 6.1 [First Loans and Letters of Credit] modified as appropriate to relate to such Subsidiary. The Borrower shall deliver such Guarantor Joinder and related documents to the Administrative Agent within five (5) Business Days after any Subsidiary of the Borrower becomes a Significant Subsidiary.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

ATTEST:

ARCH COAL, INC.

/s/ Miriam Rogers Singer

Assistant Secretary
[Seal]

By: /s/ Patrick A. Kriegshauser

Title: Senior Vice President and
Chief Financial Officer

[REVOLVING CREDIT BANKS:]

PNC BANK, NATIONAL ASSOCIATION,
individually and as Administrative
Agent and Agent

By: /s/ Michael J. Beyer

Title: Senior Vice President

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK, individually and as Agent

By: /s/ Adam J. Silver

Title: Associate

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-30563) pertaining to the Ashland Coal, Inc. Employee Thrift Plan and in the related Prospectus, the Registration Statement (Form S-8 No. 333-30565) pertaining to the Arch Coal, Inc. 1997 Stock Incentive Plan and in the related Prospectus, and the Registration Statement (Form S-8 No. 333-30567) pertaining to the Coal-Mac, Inc. Savings and Retirement Plan and in the related Prospectus of our report dated January 22, 1997, with respect to the consolidated financial statements of Ashland Coal, Inc. and subsidiaries as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996 included in this Current Report (Form 8-K).

/s/ ERNST & YOUNG LLP

Louisville, Kentucky
July 11, 1997