SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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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): June 1, 1998

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

Delaware	1-13105	43-0921172
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

CityPlace One, Suite 300, Creve Coeur, Missouri	63141
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (314) 994-2700

Item 2. Acquisition or Disposition of Assets.

On June 1, 1998, Arch Coal, Inc. (the "Company" or "Arch Coal") acquired Atlantic Richfield Company's ("ARCO's") Colorado and Utah coal operations and simultaneously combined the acquired ARCO operations and the Company's Wyoming operations with ARCO's Wyoming operations in a new joint venture to be known as Arch Western Resources, LLC ("Arch Western"). The principal operating units of Arch Western are Thunder Basin Coal Company, LLC, a Delaware limited liability company owned 100% by Arch Western, that operates two coal mines in the Southern Powder River Basin in Wyoming; Mountain Coal Company, LLC, a Delaware limited liability company owned 100% by Arch Western, that operates a coal mine in Colorado; Canyon Fuel Company, LLC, a Delaware limited liability company 65% owned by Arch Western and 35% by ITOCHU Coal, Inc., a subsidiary of ITOCHU Corporation, that operates three coal mines in Utah; and Arch of Wyoming LLC, a Delaware limited liability company owned 100% by Arch Western, that operates two coal mines in the Carbon Basin of Wyoming.

Arch Western is 99% owned by Arch Coal and 1% owned by ARCO. The transaction is valued at approximately $1.14 billion, and Arch Coal will manage the joint venture. The transaction will be accounted for as a purchase. As was the case prior to the acquisition, the acquired ARCO operations will produce low-sulfur coal, primarily for sale to domestic utility customers.

Upon completion of this acquisition, Arch Coal became the nation's second largest coal producer with annual sales of nearly 110 million tons. In 1997, ARCO's U.S. coal operations, including its 65% interest in Canyon Fuel Company, LLC, generated revenues of $547 million and after-tax operating income of $32 million on the sale of 53.2 million tons of low-sulfur coal. On a pro forma basis after giving effect to the ARCO transaction as of January 1, 1997, Arch Coal had total 1997 revenues of approximately $1.8 billion, total assets at December 31, 1997 of $2.8 billion and debt at December 31, 1997 of approximately $1.4 billion. The total measured and indicated coal reserves of the acquired ARCO operations are estimated to be approximately 1.3 billion tons.

In connection with the acquisition, the Company entered into three new 5-year credit facilities: a $675 million non-amortizing term loan to Arch Western, a $300 million fully amortizing term loan to Arch Coal, and a $600 million revolver to Arch Coal. Borrowings under the new Arch Coal revolving facility were used to finance the acquisition of ARCO's Colorado and Utah coal operations, to pay related

fees and expenses, to refinance existing corporate debt and for general corporate purposes. Borrowings under the Arch Western credit facility were used to fund a portion of a $700 million cash distribution by Arch Western to ARCO, which distribution occurred simultaneously with ARCO's contribution of its Wyoming coal operations to Arch Western. The Arch Western credit facility is not guaranteed by the Company. On a historical basis, at December 31, 1997, Arch Coal's debt was 31% of capital employed. On a pro-forma basis, at December 31, 1997, giving effect to the consummation of the ARCO Coal transaction, Arch Coal's debt would have been approximately 70% of capital employed.

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

(a) The following consolidated financial statements of ARCO Coal Company are filed as part of this Current Report on Form 8-K*:

ARCO Coal and Subsidiaries

Report of Coopers & Lybrand LLP, Independent Auditors;

Consolidated Balance Sheet at December 31, 1997 and 1996;

Consolidated Statement of Income for the years ended December 31, 1997, 1996 and 1995;

Consolidated Statement of Cash Flows for the years ended December 31, 1997, 1996 and 1995;

Notes to Consolidated Financial Statements;

Consolidated Balance Sheet at March 31, 1998 (unaudited) and December 31, 1997;

Consolidated Statement of Income for the three month periods ended March 31, 1998 and 1997 (unaudited);

Consolidated Statement of Cash Flows for the three month periods ended March 31, 1998 and 1997 (unaudited); and

Notes to Consolidated Financial Statements.

Canyon Fuel Company, LLC

Report of Coopers & Lybrand, LLP, Independent Auditors;

Balance Sheet at December 31, 1997;

Statement of Operations for the period from December 20, 1996 (inception) through December 31, 1997;

Statement of Members' Equity for the period from December 20, 1996 (inception) through December 31, 1997;

Statements of Cash Flows for the period from December 20, 1996 (inception) through December 31, 1997; and

Notes to Financial Statements.

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* To be filed by amendment pursuant to Form 8-K, Item 7(a) (4) within 60 days after this report was required to be filed.

(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, 1998;

Notes to Unaudited Pro Forma Combined Balance Sheet as of March 31, 1998;

Unaudited Pro Forma Combined Statement of Income for the year ended December 31, 1997;

Notes to Unaudited Pro Forma Combined Statement of Income for the year ended December 31, 1997;

Unaudited Pro Forma Combined Statement of Income for the three months ended March 31, 1998; and

Notes to Unaudited Pro Forma Combined Statement of Income for the three months ended March 31, 1998.

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* To be filed by amendment pursuant to Form 8-K, Item 7(a)(4) within 60 days after this report was required to be filed.

(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	Purchase and Sale Agreement dated as of March 22, 1998 among Atlantic Richfield Company, ARCO Uinta Coal Company, Arch Coal, Inc. and Arch Western Acquisition Corporation**
2.2	Contribution Agreement among Arch Coal, Inc., Arch Western Arch Western Acquisition Corporation, Atlantic Richfield Company, Delta Housing Inc. and Arch Western Resources LLC dated as of March 22, 1998**
2.3	Limited Liability Company Agreement of Arch Western Resources LLC, dated as of June 1, 1998 between Arch Western Acquisition Corporation and Delta Housing Inc.
2.4	Tax Sharing Agreement dated as of June 1, 1998 by and among Arch Coal, Inc., Arch Western Acquisition Corporation, Arch Western Resources LLC and Delta Housing Inc.
4.1	$600,000,000 Revolving Credit Facility, $300,000,000 Term Loan Credit Agreement by and among Arch Coal, Inc., the Lenders party thereto, PNC Bank, National Association, as Administrative Agent, Morgan Guaranty Trust Company of New York, as Syndication Agent, and First Union National Bank, as Documentation Agent dated as of June 1, 1998

4.2	$675,000,000 Term Loan Credit Agreement by and among Arch Western Resources, LLC, the Banks party thereto, PNC Bank, National Association, as Administrative Agent, Morgan Guaranty Trust Company of New York, as Syndication Agent, and NationsBank N.A., as Documentation Agent dated as of June 1, 1998
4.3	Omnibus Amendment Agreement dated as of June 1, 1998 in respect of Arch Coal Trust No. 1998-1, Parent Guaranty and Suretyship Agreement, Lease Intended as Security, Subsidiary Guaranty and Suretyship Agreement each dated as of January 15, 1998, among Apogee Coal Company, Catenary Coal Company, Hobet Mining, Inc., Arch Coal, Inc., Great-West Life & Annuity Insurance Company, Bank of Montreal, Barclays Bank, PLC, First Union National Bank, BA Leasing and Capital Corporation, First Security Bank, National Association, Arch Coal Sales Company, Inc., Ark Land Company and Mingo Logan Coal Company
23.1	Consent of Coopers & Lybrand LLP***

Certain exhibits and schedules to the Exhibits filed herewith have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished to the Commission upon request.

** Portions of the exhibit have been omitted pursuant to a request for confidential treatment.

*** To be filed by amendment concurrently with the filing of Item 7(a) information.

SIGNATURES

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

Dated: June 15, 1998

ARCH COAL, INC.

By: /s/ Jeffry N. Quinn

Jeffry N. Quinn
Senior Vice President -
Law & Human Resources,
General Counsel and Secretary

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EXHIBIT 2.1

PURCHASE AND SALE AGREEMENT

AMONG

ATLANTIC RICHFIELD COMPANY,

ARCO UINTA COAL COMPANY,

ARCH COAL, INC.,

AND

ARCH WESTERN ACQUISITION CORPORATION

* Portions of this document have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission (the "Commission") pursuant to Rule 24b-2 under the U.S. Securities Exchange Act of 1934, as amended. Such portions have been filed separately with the Commission and are identified in this document by the following legend: "[Confidential Treatment Requested]*."

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ATTACHMENTS

THIS PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of March 22, 1998 (the "Effective Date"), among Atlantic Richfield Company, a Delaware corporation ("ARCO"), ARCO Uinta Coal Company, a Delaware corporation ("Seller"), Arch Western Acquisition Corporation, a Delaware corporation ("Buyer"), and Arch Coal, Inc., a Delaware corporation ("Arch").

Recitals

A. On the Closing Date, Seller will be the owner of (i) all of the membership interests in Mountain Coal Company L.L.C., a Delaware limited liability company ("MCC"), (ii) all of the membership interests in a Delaware limited liability company to be formed by Seller ("AU Sub"), and (iii) 65% of the membership interests in Canyon Fuel Company, LLC, a Delaware limited liability company ("CFC," and together with MCC and AU Sub, collectively the "Companies," and each individually, a "Company"). Seller's 65% membership interest in CFC is referred to herein as the "CFC Interests," and the CFC Interests, together with Seller's membership interest in MCC and AU Sub, are referred to herein as the "LLC Interests."

B. Subject to the terms and conditions hereof, Buyer wishes to purchase from Seller, and Seller wishes to sell to Buyer, all of the LLC Interests on the terms and subject to the conditions set forth herein.

C. Simultaneously with the execution and delivery of this Agreement, ARCO, Delta Housing Inc., a Delaware corporation ("Delta"), Arch, Buyer and Arch Western Resources LLC, a Delaware limited liability company, are entering into a Contribution Agreement (the "Contribution Agreement").

D. The satisfaction of the conditions precedent to closing set forth in the Contribution Agreement are conditions precedent to the Closing of the transactions and obligations set forth in this Agreement.

Agreement

In consideration of, and subject to, the mutual promises, agreements, terms and conditions made herein, and intending to be legally bound, the parties agree as follows:

ARTICLE 1
Definitions

1.1 Definitions. As used herein, the following terms shall have the meanings set forth below:

"ACC" shall mean the United States assets of ARCO Coal Company, a division of ARCO.

"Adjustment" shall have the meaning set forth in Section 2.3(b).

[Confidential Treatment Requested]*

[Confidential Treatment Requested]*

"Affiliate" of any specified Person shall mean any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, such specified Person, and the term "affiliated with" shall have a correlative meaning. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. As used with respect to ARCO, "Affiliate" shall not include ARCO Chemical Company, a Delaware corporation, or Vastar Resources, Inc., a Delaware corporation. As used with respect to Arch (except for the purposes of Section 9.2), "Affiliate" shall not include Ashland Inc., a Kentucky corporation, or any of its subsidiaries other than Arch.

"Agent" shall have the meaning set forth in Section 12.10(b).

"Agreement" shall have the meaning set forth in the introduction to this Agreement.

"Antitrust Division" shall have the meaning set forth in Section 6.4.

"Applicable Rate" shall mean six percent per annum.

"Arch" shall have the meaning set forth in the introduction to this Agreement.

"ARCO" shall have the meaning set forth in the introduction to this Agreement.

"ARCO Accumulation and Savings Plans" shall have the meaning set forth in Section 7.4.

"ARCO Retirement Plan" shall have the meaning set forth in Section 7.3.

"Audited Financial Statements" shall have the meaning set forth in Section 2.3(a).

"AU Sub" shall have the meaning set forth in the Recitals to this Agreement.

"Bankruptcy" shall mean (i) the commencement of any voluntary or involuntary bankruptcy case by or against a Person as debtor under Title 11 of the United States Code or any successor or equivalent statute, (ii) the insolvency or inability of a Person

to satisfy its obligations as they become due or (iii) the general assignment by any Person for the benefit of creditors under state Law.

"Black Lung Discount Rate" shall mean seven percent per annum.

"Buyer" shall have the meaning set forth in the introduction to this Agreement.

"Buyer Indemnitees" shall have the meaning set forth in Section 9.2.

"Buyer's Retirement Plan" shall have the meaning set forth in Section 7.3.

"Buyer's Savings Plan" shall have the meaning set forth in Section 7.4.

"CERCLA" shall mean the Federal Comprehensive Environmental Response, Compensation and Liability Act (as amended by the Superfund Amendments and Reauthorization Act of 1986).

"CFC" shall have the meaning set forth in the Recitals to this Agreement.

"CFC Agreement" shall mean the Second Amended and Restated Limited Liability Company Agreement of Canyon Fuel Company, LLC, dated as of January 1, 1997, as in effect on the Closing Date.

"CFC Interests" shall have the meaning set forth in the Recitals to this Agreement.

"Closing" shall have the meaning set forth in Section 3.2.

"Closing Date" shall have the meaning set forth in Section 3.2.

"Closing Date Balance Sheet" shall mean the unaudited, pro forma, combined, consolidated balance sheet of the Companies as of the close of business on the Closing Date, which shall be derived from the combined, consolidated unaudited balance sheet of ACC as of the same date, prepared as though the Proposed Transactions had not been consummated. The Closing Date Balance Sheet shall be prepared on a basis consistent with the Interim Date Balance Sheet.

"Closing Date Members' Equity" shall have the meaning set forth in Section 2.3(b).

[Confidential Treatment Requested]*

[Confidential Treatment Requested]*

[Confidential Treatment Requested]*

[Confidential Treatment Requested]*

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

[Confidential Treatment Requested]*

"Combined Buyer's Losses" shall have the meaning set forth in Section 9.3(a).

"Company" or "Companies" shall have the meaning set forth in the Recitals to this Agreement.

"Contribution Agreement" shall have the meaning set forth in the Recitals to this Agreement.

"Delta" shall have the meaning set forth in the Recitals to this Agreement.

"Disagreement Notice" shall have the meaning set forth in Section 2.3(c).

"Disclosure Schedule" shall mean the Disclosure Schedule attached to this Agreement and incorporated herein for all purposes, which is the same Disclosure Schedule as is attached to and incorporated in the Contribution Agreement.

"Effective Date" shall have the meaning set forth in the introduction to this Agreement.

"Employees" shall have the meaning set forth in Section 4.17(a).

"Environmental Laws" shall mean Laws aimed at abatement of pollution; protection of the environment; ensuring public safety from environmental hazards; management, storage or control of Hazardous Materials; releases or threatened releases of Hazardous Materials into the environment, including ambient air, surface water and groundwater; and all other Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transportation of Hazardous Materials, including CERCLA, Clean Air Act, Clean Water Act, Solid Wastes Disposal Act (as amended by the Resource Conservation and Recovery Act), Toxic Substances Control Act, Emergency Planning and Community Right to Know Act, Surface Mining Control and Reclamation Act, Mine Safety and Health Act, Safe Drinking Water Act and any regulations issued under each of such statutes, and any state or local counterparts, and any other Laws to the extent relating to reclamation of lands affected by mining.

"Environmental Liabilities" shall mean any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursements or expenses (including attorneys' fees and costs, experts' fees and costs and consultants' fees and costs) of any kind or nature (including those absolute, accrued or contingent, unknown or otherwise and including further, liability for study, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, containment costs, restoration costs, corrective action costs or business losses) arising out of, based on, resulting from or alleging (i) the presence, release, threatened release, discharge or emission into the environment of any Hazardous Materials existing or arising on, beneath or above any property, including claims with respect to other properties based upon claims relating to migration or emanation (or threatened migration or emanation) of Hazardous Materials from the property to such other properties, whether or not immediately adjacent to the property, (ii) the violation of any Environmental Laws involving any property, including claims with respect to other properties based upon claims relating to migration or emanation (or threatened migration or emanation) of Hazardous Materials from the property to such other properties, whether or not immediately adjacent to the property, and (iii) natural resources damages, penalties or fines, or property damages or personal injuries claimed by private (non-governmental) parties.

"ERISA" shall have the meaning set forth in Section 4.17(a).

"Final Judgment" shall mean a judgment by a court of competent jurisdiction or a binding award in arbitration from which no further appeal or review may be taken, a settlement or a confession of judgment.

"FTC" shall have the meaning set forth in Section 6.4.

"GAAP" shall mean generally accepted accounting principles in effect in the United States, from time to time.

"Hazardous Materials" shall mean any waste or other substance that is listed, defined, designated or classified as, or otherwise determined to be, hazardous, radio active or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor, PCBs and asbestos or asbestos-containing materials.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnified Party" shall have the meaning set forth in Section 9.6(a).

[Confidential Treatment Requested]*

"Indemnifying Party" shall have the meaning set forth in Section 9.6(a).

"Independent Accountants" shall have the meaning set forth in Section 2.3(d).

"Intended Use" shall have the meaning set forth in Section 6.21(a).

"Interim Date" shall mean December 31, 1997.

"Interim Date Balance Sheet" shall mean the unaudited, pro forma, combined, consolidated, balance sheet for the Companies, which shall be derived from and consistent with the combined, consolidated audited balance sheet of ACC as of the close of business on the Interim Date. The Interim Date Balance Sheet shall be prepared on a basis consistent with the Preliminary Interim Date Balance Sheet and, except for changes with respect to corporate adjustments and income tax calculations and the effect thereof on total member's equity in the Companies, will be substantially identical to the Preliminary Interim Date Balance Sheet.

"Interim Date Members' Equity" shall have the meaning set forth in Section 2.3(b).

"ITOCHU" shall mean ITOCHU Coal International Inc.

"Laws" shall mean all existing Federal, state and local laws (statutory or common), rules, ordinances, regulations, grants, leases, orders, directives, judgments, decrees and other governmental restrictions of any kind or nature, including permits and other similar requirements, whether legislative, municipal, administrative or judicial in nature.

"LLC Interests" shall have the meaning set forth in the Recitals to this Agreement.

"Losses" shall have the meaning set forth in Section 9.3(a).

"Material Adverse Effect" (i) as used in Sections 3.3(i), 6.22, 10.1(a) and 11.1(b), shall mean a breach or breaches of the representations and warranties of ARCO and/or Seller under this Agreement and ARCO and/or Delta under the Contribution Agreement that in the aggregate, if the Proposed Transactions were consummated, would give rise to indemnification obligations owed to Buyer Indemnitees by ARCO and/or Seller under this Agreement and ARCO and/or Delta under the Contribution Agreement (without regard to any applicable limits in Section 9.3 of this Agreement or Section 10.3 of the Contribution Agreement), together totaling more than One Hundred and Ten Million Dollars, and (ii) as used in Section 10.1(g), shall mean (without duplication) the sum of (a) aggregate reductions in the actual value of the business of the Companies (excluding any reduction attributable to the portion of CFC's membership interests owned by ITOCHU) and TBCC, on a combined, consolidated basis and taken as a whole, resulting from any events or occurrences referred to in Section 10.1(g), and (b) a breach or breaches of the representations and warranties of ARCO and/or Seller under this Agreement and ARCO and/or Delta under the

Contribution Agreement that in the aggregate, if the Proposed Transactions were consummated, would give rise to indemnification obligations owed to Buyer Indemnitees by ARCO and/or Seller under this Agreement and ARCO and/or Delta under the Contribution Agreement (without regard to any applicable limits in Section 9.3 of this Agreement or Section 10.3 of the Contribution Agreement), together totaling more than One Hundred and Ten Million Dollars.

"MCC" shall have the meaning set forth in the Recitals to this Agreement.

"Other Liabilities"' shall have the meaning set forth in Section 6.16(b).

"Other Properties" shall have the meaning set forth in Section 6.15.

"Participants" shall have the meaning set forth in Section 7.5.

"PBGC" shall have the meaning set forth in Section 4.17(e).

"Performance Bonds" shall have the meaning set forth in Section 6.10.

[Confidential Treatment Requested]*

"Person" shall mean and include, any individual, partnership, joint venture, corporation, limited liability company, trust, joint-stock company, unincorporated entity or association, organization or other legal entity.

"Plans" shall have the meaning set forth in Section 4.17(a).

"Post-Closing Surety Bonds" and "Post-Closing Surety Bond" shall have the meaning set forth in Section 6.10.

"Pre-Closing Tax Period" shall have the meaning set forth in Section 8.1(a).

"Preliminary Interim Date Balance Sheet" shall mean the document attached as Exhibit A.

"Present Value Benefit" shall mean the present value (based on a discount rate equal to the short-term applicable federal rate as determined under Section 1274(d) of the Code at the time of determination, and assuming that the Indemnified Party will be liable for income taxes at all relevant times at the maximum marginal rates) of any income tax benefit.

"Properties" shall have the meaning set forth in Section 6.14.

"Proposed Transactions" shall have the meaning set forth in Section 3.2.

"Purchase Price" shall have the meaning set forth in Section 2.2.

"Report" shall have the meaning set forth in Section 2.3(d).

"Retirement Plans" shall have the meaning set forth in Section 7.2.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Seller" shall have the meaning set forth in the introduction to this Agreement.

"Seller Indemnitees" shall have the meaning set forth in Section 9.1.

"Seller's Group" shall mean ARCO, Seller and any Affiliate of ARCO or Seller (other than the Companies).

"Seller's Knowledge" shall mean the actual knowledge of the individuals identified on Exhibit B, without any duty of inquiry.

[Confidential Treatment Requested]*

[Confidential Treatment Requested]*

"Statement" shall have the meaning set forth in Section 2.3(b).

"Substitute Surety Bonds" and "Substitute Surety Bond" shall have the meaning set forth in Section 6.10.

"Surety Bonds" and "Surety Bond" shall have the meaning set forth in Section 6.10.

"Surface Movement" shall have the meaning set forth in Section 6.21(a).

"Tax" or "Taxes" shall mean any tax or taxes, similar charge, fee, impost, levy or other assessment (including income taxes, severance taxes, excise taxes, sales taxes, franchise taxes, real estate taxes, Transfer Taxes, transfer gain taxes, value-added taxes, use taxes, ad valorem taxes, withholding taxes, payroll taxes or minimum taxes), together with any related liabilities, penalties, fines, additions to tax or interest imposed by the United States or any state, county, local or foreign government agency or taxing authority, or any subdivision thereof.

"Tax Return" or "Tax Returns" shall mean all returns, reports, estimates and information statements relating to, or required to be filed in connection with any Taxes pursuant to the statutes, rules and regulations of the United States or any state, county, local or foreign government subdivision, agency or taxing authority.

"TBCC" shall mean Thunder Basin Coal Company, L.L.C., a Delaware limited liability company.

"Transfer Taxes" shall have the meaning set forth in Section 2.4.

"Transferees" shall have the meaning set forth in Section 7.1(a).

"Unadjusted Purchase Price" shall have the meaning set forth in Section 2.2.

"Unaudited Financial Statements" shall have the meaning set forth in Section 4.20.

"VEBA" shall have the meaning set forth in Section 4.17(a).

"West Elk Surface Movement Event" shall have the meaning set forth in Section 6.21(b).

1.2 Cross References, Interpretation. References to "Articles" refer to Articles of this Agreement. References to "Sections" refer to Sections and subsections of this Agreement. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa. Whenever the word "including" is used in this Agreement it shall be read to mean "including without limitation." The headings in this Agreement are inserted for convenience only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

ARTICLE 2
PURCHASE AND SALE OF LLC INTERESTS

2.1 Sale of LLC Interests. At the Closing, Seller shall sell, transfer and deliver to Buyer, and Buyer shall purchase from Seller, the LLC Interests, subject to the terms and conditions set forth herein.

2.2 Payment of Purchase Price. At the Closing, Buyer shall pay to Seller, in immediately available funds, by wire transfer to the account or accounts designated by Seller not later than two days prior to the Closing Date, an aggregate of Three Hundred Ninety Million U.S. Dollars (U.S.$390,000,000) (the "Unadjusted Purchase Price"), which shall be subject to the adjustment set forth in Section 2.3 (as adjusted, the "Purchase Price").

2.3 Adjustment to Unadjusted Purchase Price.

(a) Seller shall deliver to Buyer as soon as available, but in no event later than 30 days after the Effective Date, the consolidated balance sheet of ACC at December 31, 1997, and 1996, and its consolidated statements of income, of equity investment and of cash flows for each of the three years in the period ended December 31, 1997, together with the related notes thereto and the respective audit opinion thereon of the independent auditors of ACC (the "Audited Financial Statements"). Within 30 days after the Effective Date, Seller shall prepare

and deliver to Buyer a copy of the Interim Date Balance Sheet. Within 90 days after the Closing Date, Seller shall prepare and deliver to Buyer the Closing Date Balance Sheet.

(b) The Unadjusted Purchase Price shall be adjusted (the "Adjustment") (i) upwards on a dollar-for-dollar basis for up to $10 million of capital expenditures made by any of the Companies during the period from October 1, 1997, to December 31, 1997; and (ii) upwards or downwards on a dollar-for-dollar basis for the amount by which total members' equity as reflected on the Closing Date Balance Sheet (the "Closing Date Members' Equity") exceeds or is less than total members' equity as reflected on the Interim Date Balance Sheet (the "Interim Date Members' Equity"). For purposes of the preceding sentence, the change in total members' equity will include the net change in intercompany accounts. During the period from the Interim Date through the Closing Date, intercompany accounts will, in part, (i) increase by contributions of cash for operating costs and capital by Seller's Group and (ii) decrease by cash distributions to Seller's Group. In determining the Adjustment, any change in deferred tax asset or deferred tax liability from that reflected on the Interim Date Balance Sheet and the corresponding effect on Closing Date Members' Equity, except for provisions made in the ordinary course related to income earned since the Interim Date, shall be ignored. If the Closing Date Members' Equity exceeds the Interim Date Members' Equity, the Buyer shall pay Seller an amount equal to such excess as set forth below. If the Interim Date Members' Equity exceeds the Closing Date Members' Equity, the Seller shall pay Buyer an amount equal to such excess as set forth below. Seller shall prepare and deliver to Buyer, simultaneously with the delivery of the Closing Date Balance Sheet, a statement (the "Statement") setting forth in reasonable detail Seller's calculation of Closing Date Members' Equity.

(c) If Buyer disagrees with the Closing Date Balance Sheet or the Statement, it shall, within 30 days after the receipt of the Closing Date Balance Sheet and the Statement, deliver a notice to Seller (the "Disagreement Notice"), setting forth its calculation of the Adjustment and specifying, in reasonable detail, those items or amounts in the Closing Date Balance Sheet and/or the Statement as to which Buyer disagrees and the reasons for such disagreement. Buyer shall be deemed to have agreed with all items and amounts contained in the Closing Date Balance Sheet and the Statement other than those specified in a timely Disagreement Notice. If Buyer does not deliver a Disagreement Notice to Seller within such 30-day period, Buyer shall be deemed to have accepted the Closing Date Balance Sheet and the Statement, whereupon the Closing Date Balance Sheet and the Statement shall become final and binding.

(d) If a Disagreement Notice is timely delivered to Seller pursuant to this Section 2.3, the parties shall use their good faith efforts to reach agreement on the disputed items or amounts in order to determine the Adjustment, which in no event shall be more favorable to Seller than reflected in the Statement nor more favorable to Buyer than shown in the calculations delivered by Buyer pursuant to the Disagreement Notice. If the parties do not resolve all disputed items or amounts within ten business days after delivery of the Disagreement Notice, this Agreement and the disputed items and amounts will be submitted to an independent nationally recognized accounting firm without any current material financial relationship to either Buyer or Seller, or their respective Affiliates (the "Independent Accountants"), as mutually selected by

Seller and Buyer, or if Seller and Buyer cannot agree, as recommended by the independent accountants regularly employed to audit Seller's and Buyer's financial statements, for determination of the appropriate Adjustment pursuant to this Section 2.3. The written report of the Independent Accountants (the "Report") shall be delivered to Seller and Buyer promptly, but in no event later than 30 days after such disputed items are submitted to the Independent Accountants, and shall be final, conclusive and binding upon the parties. The procedures for resolution of disputes concerning the Closing Date Balance Sheet and the Statement set forth in Sections 2.3(c) and 2.3(d) shall be final and exclusive of any other litigation, proceeding, contest, appeal or arbitration in relation thereto, so that no party shall be entitled to subject any claim, controversy or dispute with respect to the foregoing to arbitration or to any court or tribunal. The fees and expenses of the Independent Accountants shall be borne equally by Seller and Buyer.

(e) Within five business days after the final determination of the Adjustment, Buyer shall pay Seller or Seller shall pay Buyer, as the case may be, a sum of money equal to the Adjustment, plus interest at the Applicable Rate from the Closing Date to the date the payment is made. Any amount payable pursuant to this Section 2.3(e) will be made in immediately available funds to an account or accounts designated by the party receiving such payment.

(f) From the Closing Date until the final determination of the Adjustment, Seller, including its officers, employees, agents and representatives, and the Independent Accountants, shall have access to the Companies and their books, records and employees who are responsible for financial matters in order to assist in preparing the Closing Date Balance Sheet and the Statement and in determining the Adjustment. Buyer shall provide and shall cause the Companies to provide any assistance reasonably requested by Seller in connection with the foregoing.

2.4 Transfer Taxes. Buyer shall be solely liable for and shall pay all applicable sales, transfer, use, stamp, conveyance, value-added, real property transfer, recording, stock transfer and other similar taxes, if any, together with all recording or filing fees, notarial fees and other similar costs of Closing, that may be imposed upon, or payable, collectible or incurred in connection with the transfer of the LLC Interests to Buyer ("Transfer Taxes"). Buyer shall indemnify and hold harmless any member of Seller's Group with respect to all Transfer Taxes.

ARTICLE 3
CLOSING

3.1 Other Transactions.

(a) Prior to or concurrently with the Closing, each of Seller and Buyer shall take, or cause to be taken, the actions required of such party by this Section 3.1 and in accordance with the transactions contemplated in the Contribution Agreement.

(b) Prior to the Closing, ARCO shall transfer, or shall cause to be transferred, to AU Sub the properties, rights or interests indicated as being owned by AU Sub on the Disclosure Schedule.

3.2 Closing Date. The closing ("Closing") of the transactions contemplated herein (the "Proposed Transactions"), including the purchase and sale of the LLC Interests, shall take place in New York, New York, at a mutually agreeable site at 10:00 A.M., local time, on the later of (a) 45 days after the date hereof or (b) the third business day after the satisfaction of all conditions to Closing set forth in Sections 10.1 and 10.2, or at such other place or time as the parties may mutually agree. The date upon which the Closing occurs is referred to in this Agreement as the "Closing Date."

3.3 ARCO's and Seller's Deliveries. ARCO and Seller shall deliver, or cause to be delivered, to Buyer at the Closing the following:

(a) duly executed assignment documents transferring the LLC Interests from Seller to Buyer;

(b) all minute books, membership records and other books and records of the Companies;

(c) a copy, certified as of the Closing Date, by ARCO's or Seller's Secretary or Assistant Secretary, as the case may be, of the resolutions duly adopted by the Board of Directors of ARCO and Seller, authorizing the transactions contemplated by this Agreement;

(d) short form certificates of existence and/or good standing for ARCO, Seller and each Company in their respective jurisdictions of incorporation or formation, as certified as of a recent date by the Secretary of State or other appropriate authority of such jurisdictions;

(e) the opinion of counsel to ARCO required by Section 10.1(d);

(f) copies of the certificate of formation for each Company, as certified as of a recent date by the Secretary of State or other appropriate authority of their respective jurisdiction of formation;

(g) copies of the limited liability company agreements of each Company as in effect on the Closing Date, certified by a duly authorized representative of each Company;

(h) certificates of the Secretary or Assistant Secretary of ARCO and Seller, as the case may be, certifying as of the Closing Date as to the incumbency and signatures of the officer(s) of ARCO and/or Seller authorized to sign this Agreement and the other documents to be delivered hereunder, together with evidence of the incumbency of each such Secretary or Assistant Secretary;

(i) certificates dated the Closing Date of officers of ARCO and Seller, as the case may be, stating that the representations and warranties of ARCO and Seller, as the case may be, set forth herein remain true and correct in all respects on and as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such date), except for any breach or breaches of such representations and warranties that would not individually or in the aggregate have a

Material Adverse Effect, and that all covenants and conditions to be complied with and performed by ARCO and/or Seller on or prior to the Closing Date, including notifications under Section 6.3, have been substantially complied with or performed; and

(j) the resignations of the officers and directors of MCC and AU Sub, and any officers and directors of CFC that are employees of ARCO, as required pursuant to Section 10.1(f).

3.4 Arch's and Buyer's Deliveries. Arch and Buyer shall deliver, or cause to be delivered, to Seller at the Closing the following:

(a) the Unadjusted Purchase Price in the manner and amount specified in Section 2.2;

(b) a copy, certified as of the Closing Date by Arch's or Buyer's Secretary or Assistant Secretary, as the case may be, of the resolutions duly adopted by the Board of Directors of Arch and Buyer, authorizing the transactions contemplated by this Agreement;

(c) short form certificates of good standing for Arch and Buyer in their respective jurisdiction of incorporation, as certified as of a recent date by the Secretary of State or other appropriate authority of such jurisdiction;

(d) the opinion of counsel to Buyer required by Section 10.2(d);

(e) copies of the certificates of incorporation of Arch and Buyer, as certified as of a recent date by the Secretary of State or other appropriate authority of their respective jurisdiction of incorporation;

(f) copies of the bylaws of Arch and Buyer as in effect on the Closing Date, certified as of the Closing Date by the Secretary or Assistant Secretary of Arch or Buyer, as the case may be;

(g) certificates of the Secretary or Assistant Secretary of Arch and Buyer, as the case may be, certifying as of the Closing Date as to the incumbency and signatures of the officer(s) or representatives of Arch and Buyer authorized to sign this Agreement and the other documents to be delivered hereunder, together with evidence of the incumbency of each such Secretary or Assistant Secretary; and

(h) certificates dated the Closing Date of an officer of Buyer and an officer of Arch, as the case may be, stating that the representations and warranties of Arch and Buyer, as the case may be, set forth herein remain true and correct in all material respects on and as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specified date, which shall be true and correct in all material respects as of such date) and that all covenants and conditions to be complied with and performed by Arch and/or Buyer on or prior to the Closing Date have been substantially complied with or performed.

3.5 Simultaneous Transactions. All of the transactions and deliveries identified in this Article 3 shall be deemed to occur simultaneously on the Closing Date, and no one transaction shall be deemed completed until all are completed.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF ARCO AND SELLER

ARCO and Seller represent and warrant, jointly and severally, to Arch and Buyer, as of the Effective Date (or such other date as is specified therein), as follows:

4.1 Organization and Good Standing of ARCO and Seller. ARCO and Seller are corporations duly incorporated, validly existing and in good standing under the laws of their respective states of incorporation.

4.2 Authority. ARCO and Seller have full corporate power and authority to enter into this Agreement and to perform their respective obligations hereunder. This Agreement constitutes a valid and binding obligation of each of ARCO and Seller, enforceable against ARCO and Seller in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

4.3 No Violations. Except as set forth in Section 4.3 of the Disclosure Schedule, the execution and delivery of this Agreement by ARCO and Seller do not, and the consummation of the transactions contemplated hereby will not, (i) violate any provisions of the certificate of incorporation or bylaws of ARCO or Seller or of the limited liability company agreement of any Company; (ii) result in the breach of, or constitute a default under, any material agreement or other material instrument to which ARCO, Seller or any Company is a party or to which any of their respective properties or assets are bound; (iii) violate any statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award applicable to ARCO, Seller or any Company or their respective properties or assets; or (iv) constitute an event that, with notice, lapse of time or both, would result in any such violation, breach or default.

4.4 Approvals, Consents and Other Actions. Except (i) with respect to the filings required under the HSR Act, (ii) as contemplated by this Agreement or (iii) as set forth in Section 4.4 of the Disclosure Schedule, no consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any court, administrative agency, commission or other governmental authority or instrumentality, or any third party is required to be made or obtained by or with respect to ARCO or Seller in connection with the execution, delivery and performance of this Agreement by ARCO or Seller.

4.5 Formation and Good Standing of the Companies. Each of MCC and CFC is, and as of the Closing Date, AU Sub shall be, a limited liability company, duly organized, validly existing and in good standing under the laws of their respective states of formation.

4.6 Title to the LLC Interests. Seller holds or will hold of record and owns or will own beneficially, and will transfer or cause to be transferred to Buyer on the Closing Date, the LLC Interests, and, upon delivery to Buyer at the Closing of assignment documents in accordance with Section 3.3(a), registration of the transfer of the LLC Interests on the books of each respective Company and payment of the Unadjusted Purchase Price therefor, Seller will transfer to Buyer the LLC Interests, free and clear of any security interests, pledges, liens and encumbrances, except as set forth in the limited liability company agreements of each Company.

4.7 Capitalization. Section 4.7 of the Disclosure Schedule sets forth a list of the Companies, their respective jurisdictions of formation and their respective ownership of outstanding membership interests as of the Closing Date. ARCO, Seller and/or their Affiliates own all of the outstanding membership interests of MCC and 65% of the outstanding membership interests of CFC. As of the Closing Date, Seller will own all of the outstanding membership interests of AU Sub. Except as set forth in the limited liability company agreements of each Company and except as set forth in Section 4.7 of the Disclosure Schedule, as of the Closing Date, no Company will have any outstanding securities, subscriptions, options or other agreements or commitments obligating it to issue additional membership interests or any other securities.

4.8 Real Property. Section 4.8 of the Disclosure Schedule sets forth, as of the Closing Date, a list of all material real property, leaseholds, water rights and other material interests in real property or water held by the Companies. Except as set forth in Section 4.8 of the Disclosure Schedule, each Company will hold, as of the Closing Date, an interest in the real property described in Section 4.8 of the Disclosure Schedule sufficient to permit each Company to operate its businesses in the ordinary course and consistent with past practices, according to the terms of the instrument, conveyance or document creating such interest, free and clear of all liens, encumbrances, equities, claims, covenants, conditions, reservations, restrictions, easements, rights of way and other agreements, except for (a) liens for Taxes not yet due and payable, or that may hereafter be paid without penalty, or that are being contested in good faith by appropriate proceedings or that are listed or described in the Disclosure Schedule, (b) liens in favor of vendors, carriers, warehousemen, repairmen, mechanics, workmen and materialmen and construction or similar liens arising by operation of law or in the ordinary course of business in respect of obligations that are not yet due or that are being contested in good faith by appropriate proceedings, (c) liens to be released at or prior to the Closing, (d) rights reserved to or vested in any Federal, state or local governmental body, authority or agency to control or regulate any such real property interests in any manner, (e) easements, reservations, rights-of-way, restrictions, covenants, conditions and other similar encumbrances, whether of record or apparent on the premises (including road, highway, pipeline, railroad and utility easements, and defects in the chain of title), that do not materially and adversely affect the present use of such real property, and (f) other defects and irregularities in title or encumbrances that are not substantial or material in character, amount or extent. Except as set forth in Section 4.8 of the Disclosure Schedule, each of the material leases, subleases, easements, licenses and agreements described in Section 4.8 of the Disclosure Schedule is in full force and effect according to the terms of each respective instrument, and to Seller's Knowledge, each holder of such leases, subleases, easements, licenses and agreements has complied with all material requirements in connection therewith, and there is

not under any such lease, sublease, easement, license or agreement, any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by a Company.

4.9 Buildings, Structures and Tangible Personal Property; Other Securities. Section 4.9 of the Disclosure Schedule lists (i) all material buildings, structures and improvements and all material items of machinery, equipment and other tangible personal property owned or leased by ARCO, Seller or any of their Affiliates as of February 28, 1998, that will be owned or leased by any Company on the Closing Date, and (ii) all securities of any other Person held by any of the Companies on the Closing Date. Since February 28, 1998, no such assets have been acquired or disposed of except in the ordinary course of business.

4.10 Material Contracts. Section 4.10 of the Disclosure Schedule lists all material contracts and agreements and all documents evidencing rights of or commitments by any Company to which any Company is a party or its property or assets are bound as of the Closing Date. Except as set forth in Section 4.10 of the Disclosure Schedule, each such contract, agreement and document is in full force and effect according to the terms of each respective instrument, and each Company which is a party to such contracts, agreements and documents has complied with all requirements in connection therewith, and there is not under any such contract, agreement or document, any existing breach or default (or event that, with notice, lapse of time or both, would constitute a breach or default) by a Company.

4.11 Insurance Policies. Section 4.11 of the Disclosure Schedule lists all policies of insurance issued by third-party insurers for the 1998 policy period, including amounts of coverage thereof, that are maintained by ARCO or Seller for the benefit of the Companies or by a Company for which such Company is named as an insured party, in each case as of the Closing Date. Except as set forth in Section 4.11 of the Disclosure Schedule, such policies are in full force and effect and all premiums due have been paid.

4.12 Taxes.

(a) Except as set forth in Section 4.12(a) of the Disclosure Schedule, with respect to Tax Returns that relate to taxable periods that end before January 1, 1997, each Company has filed or caused to be filed with the appropriate local, state, Federal and foreign governmental entities all Tax Returns required to be filed by such Companies on or prior to the Closing Date (taking into account all extensions of due dates), and has paid or caused to be paid or adequately provided for all Taxes shown thereon as owing.

(b) Except as set forth in Section 4.12(b) of the Disclosure Schedule, with respect to Tax Returns that relate to taxable periods that end on or after January 1, 1997, each Company has filed or caused to be filed with the appropriate local, state, Federal and foreign governmental entities all Tax Returns required to be filed by such Companies on or prior to the Closing Date (taking into account all extensions of due dates), and has paid or caused to be paid or adequately provided for all Taxes shown thereon as owing. For all taxable periods that begin prior to the Closing Date for which a Tax Return is not due on or prior to the Closing Date (whether or not such taxable period ends on or after the Closing Date), the Closing Date Balance

Sheet shall provide an adequate reserve for Taxes to fully pay such Taxes up to and including the Closing Date (as if the Taxable Period ended on the Closing Date).

4.13 Licenses, Permits, Authorizations. Section 4.13 of the Disclosure Schedule lists all material licenses, permits (including mining permits and the amount of any bond or other surety for each mining permit), certificates, bonds, consents, rights and other such authorizations issued or granted, as of the Closing Date, to each of the Companies by local, state or Federal governmental authorities or agencies. Except as set forth in Section 4.13 of the Disclosure Schedule, each of the licenses, permits, certificates, bonds, consents, rights and other authorizations listed in Section 4.13 of the Disclosure Schedule is in full force and effect according to the material terms of each instrument, each holder of such licenses, permits, certificates, bonds, consents, rights and other authorizations has complied with all material requirements in connection therewith, and there is not under any such licenses, permits, certificates, bonds, consents, rights and other authorizations any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by a Company.

4.14 Litigation. Except as set forth in Section 4.14 of the Disclosure Schedule, (i) none of the Companies is a party to any lawsuit, claim or proceeding or to Seller's Knowledge, any investigation, and (ii) none of the Companies is in default under any judgment, order or decree of any court, administrative agency or commission or other governmental authority or instrumentality applicable to it or any of its properties or assets.

4.15 Compliance with Laws. Except as set forth in Section 4.15 of the Disclosure Schedule, each of the Companies is in compliance in all material respects with all applicable statutes, laws, ordinances, rules, orders and regulations of any governmental authority or instrumentality.

4.16 Labor Matters. Except as set forth in Section 4.16 of the Disclosure Schedule, none of the Companies is a party to any collective bargaining agreement with any labor union or association, there are no formal negotiations, demands or proposals that are pending or have been recently conducted or made with or by any labor union or association, and there are no pending strikes, work stoppages or material labor disputes involving the Companies.

4.17 Employee Benefit Plans.

(a) Section 4.17 of the Disclosure Schedule sets forth a list of all "employee benefit plans" as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any other pension or retirement, savings, profit sharing, deferred compensation, stock option (including restricted or performance units), severance, vacation, medical, vision, dental, long term disability, life insurance, group accident, occupational death, business travel, long term care, educational assistance, floating holiday, personal business, gainshare, bonus, financial counseling, welfare or sick leave or other employee benefit plan, procedure, policy or practice of any nature, as well as any employment, consulting, engagement or retention agreement or agreements, and any trust or funding mechanism for each plan or arrangement described above (collectively, the "Plans") covering employees of a Company and

any employees of ARCO and/or Seller whose employment is related primarily to one or more of the businesses of the Companies (collectively, the "Employees"). With respect to each Plan maintained by the Companies, ARCO and/or Seller have delivered to Buyer true, correct and complete copies of all documents and summary plan descriptions creating or evidencing any such Plan, and, to the extent applicable, the most recent (i) determination letter and any outstanding request for determination letter for such Plan; (ii) Form 5500 and attached Schedule B (including any related actuarial valuation report) for such Plan; and (iii) ruling letter and any outstanding request for a ruling letter with respect to the tax-exempt status of any Voluntary Employees' Beneficiary Association ("VEBA") as defined in Code Section 501(c)(9).

(b) Except as set forth in Section 4.17 of the Disclosure Schedule, each Plan complies with and has been administered, operated and maintained in compliance with all applicable material provisions of ERISA, the Code and other applicable laws. Except as set forth in Section 4.17 of the Disclosure Schedule, none of the Companies has engaged in a prohibited transaction that would subject it to a material tax imposed under Section 4975 of the Code.

(c) Neither Seller nor any Company is or has within the preceding five years been a party to or contributed to any "multi-employer plan," as defined in Section 4001(a)(3) of ERISA. Except as set forth in Section 4.17 of the Disclosure Schedule, neither Seller nor any Company has been a party to or contributed to any such multi-employer plan since September 26, 1980.

(d) Each Plan that is intended to qualify under Code Sections 401(a) and 501(a) is so qualified and has been determined by the Internal Revenue Service to so qualify or has an outstanding determination letter request, and nothing has occurred to cause the loss of the Plan's qualified status since the issuance of the most recent favorable determination letter by the IRS with respect to such Plan.

(e) No accumulated funding deficiency, except for annual minimum contributions which are not yet due, within the meaning of ERISA Section 302 or Code Section 412 has been incurred with respect to any Plan of the Companies. The Companies do not have any liability for (i) any lien imposed under ERISA Section 302(f) or Code Section 412(n), (ii) any interest payments required under ERISA Section 302(e) or Code Section 412(m) or (iii) any excise tax imposed by Code Section 4971. The Pension Benefit Guaranty Corporation ("PBGC") has not instituted or threatened a proceeding to terminate any Plan pursuant to Subtitle 1 of Title IV of ERISA. No Plan has been the subject of a reportable event (as defined in ERISA Section 4043) as to which a notice would be required to be filed with the PBGC.

(f) With respect to each Plan, no action, suit, grievance, claim, arbitration or other manner of litigation with respect to the assets of the Plan (other than routine claims for benefits made in the ordinary course of Plan administration for which Plan administrator review procedures have not been exhausted) is pending, or to Seller's Knowledge, threatened or imminent against or with respect to the Plan or any Plan sponsor or fiduciary (as defined in ERISA Section 3(21)).

(g) Except as otherwise provided in this Agreement, each Plan (including any Plan covering former employees of any Company) which is established and maintained by the Companies may be amended or terminated by the Companies or Buyer on or at any time after the Closing Date.

(h) No payment under any Plan made within two years after the Closing Date shall constitute an "excess parachute payment" under Section 280G of the Code.

4.18 Bank Accounts. Section 4.18 of the Disclosure Schedule sets forth the name of each bank, savings and loan or other financial institution in which any Company has any account or safe deposit box.

4.19 Broker Liability. With respect to any broker, finder or similar consultant, retained by, or acting on behalf of ARCO, Seller or their Affiliates in connection with this Agreement or the transactions contemplated hereby, ARCO and Seller shall be solely responsible and liable for any brokerage, finder's or similar consultant's fee or other commission in respect of such broker, finder or similar consultant.

4.20 Financial Statements. The Audited Financial Statements to be delivered in accordance with Section 2.3(a) shall have been prepared in accordance with GAAP consistently applied during the periods involved and in accordance with Regulation S-X under the Securities Exchange Act of 1934, as amended. The audited balance sheets of ACC at December 31, 1997, and 1996 (including the notes thereto), present fairly the financial position of ACC at such dates, and the consolidated statement of income, of equity investment and of cash flows (including the notes thereto) for each of the three years in the period ended December 31, 1997, fairly present the results of operations, equity investment and cash flows of ACC for each of such years. The unaudited balance sheets (if any) of ACC as of the last day of each calendar quarter ending subsequent to December 31, 1997, and prior to the Closing Date, and consolidated statements of income, of equity investment and of cash flows for the quarterly periods then ended (the "Unaudited Financial Statements") have been prepared in accordance with GAAP consistently applied during the periods involved and in accordance with Regulation S-X under the Securities Exchange Act of 1934, as amended. Each balance sheet (if any) included among the Unaudited Financial Statements (including the notes thereto) fairly presents the financial position of ACC as of the date thereof, and each consolidated statement of income, of equity investment and of cash flows included among the Unaudited Financial Statements (including the notes thereto) fairly presents the results of operations, equity investment and cash flows of ACC for each period presented. The Interim Date Balance Sheet and the Closing Date Balance Sheet will be derived from the combined, consolidated balance sheets of ACC. The Interim Date Balance Sheet (including the related notes) will fairly present the combined consolidated financial position of the Companies as of its date.

4.21 Black Lung Disclosure. The present actuarial value (determined using the Black Lung Discount Rate) of the Companies' black lung liability as of the Interim Date does not exceed that which has been reserved for by the Companies on the Interim Date Balance Sheet.

4.22 Conduct of Business. Except as set forth in Section 4.22 of the Disclosure Schedule, since the Interim Date, the Companies have conducted their respective businesses only in, and have not engaged in any transaction other than in, the ordinary and usual course of such businesses or as described in the Contribution Agreement, and there has not been any change by the Companies in accounting principles, practices or methods that is not required by GAAP. Except as provided for herein and other than in the ordinary course consistent with past practice, since the Interim Date there has not been (i) any increase in the compensation payable or which could become payable by the Companies to their respective officers or employees or (ii) any amendment of any of the Companies' Plans.

4.23 Assets. Except as set forth in Section 4.23 of the Disclosure Schedule, prior to the Closing Date, ARCO and/or Seller will have transferred or caused to be transferred to the Companies all tangible and intangible assets of every description held by ARCO, Seller or any Affiliate of ARCO and/or Seller under intercompany agreements and arrangements with ARCO, Seller or any Affiliate of ARCO and/or Seller or otherwise and used exclusively by the Companies in the conduct of the Companies' respective businesses on and since the Interim Date.

4.24 CERCLA. None of the Properties is listed on the National Priority List pursuant to CERCLA or on any similar list pursuant to any state Environmental Laws.

4.25 Disclaimer of Certain Representations and Warranties. ARCH AND BUYER ACKNOWLEDGE THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NONE OF ARCO, SELLER OR ANY AFFILIATE, EMPLOYEE OR AGENT OF ARCO OR SELLER HAS MADE ANY REPRESENTATION, PROMISE, COVENANT OR WARRANTY REGARDING ANY OF THE COMPANIES, THEIR PROPERTIES, ASSETS, BUSINESS, OPERATIONS, LIABILITIES OR OBLIGATIONS, OR OTHERWISE. ARCO AND SELLER HEREBY DISCLAIM ANY IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREIN.

4.26 No Other Commitment to Sell LLC Interests. Neither ARCO nor Seller has sold or has committed to sell the LLC Interests to any other Person, except to the extent that ITOCHU may have the right to initiate certain procedures under the provisions contained in Articles 9 and 10 of the CFC Agreement with respect to the CFC Interests.

4.27 Absence of Undisclosed Liabilities. To Seller's Knowledge, none of the Companies has any material liabilities, whether accrued, or contingent, other than (i) liabilities (or reserves therefor) set forth in the Preliminary Interim Date Balance Sheet, (ii) liabilities set forth in the Disclosure Schedule, and (iii) liabilities incurred since the date of the Preliminary Interim Date Balance Sheet in connection with this Agreement or in the ordinary course of business, consistent with past practices.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF ARCH AND BUYER

Arch and Buyer represent and warrant, jointly and severally, to ARCO and Seller, as of the Effective Date, as follows:

5.1 Organization and Good Standing. Arch and Buyer are corporations duly incorporated, validly existing and in good standing under the laws of their states of incorporation.

5.2 Authority. Arch and Buyer have full corporate power and authority to enter into this Agreement and to perform their respective obligations hereunder. This Agreement constitutes a valid and binding obligation of each of Arch and Buyer, enforceable against Arch and Buyer in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

5.3 No Violations. The execution and delivery of this Agreement by Arch and Buyer does not, and the consummation of the transactions contemplated hereby will not, (i) violate any of the provisions of the certificates of incorporation or bylaws of Arch or Buyer; (ii) result inthe breach of, or constitute a default under, any material agreement or other material instrument to which Arch or Buyer is a party or to which any of their respective properties or assets are bound; (iii) violate any statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award applicable to Arch, Buyer or their respective properties or assets; or (iv) constitute an event that, with notice, lapse of time or both, would result in any such violation, breach or default.

5.4 Approvals and Consents. Except with respect to the filings required under the HSR Act, no consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any court, administrative agency, commission or other governmental authority or instrumentality, or any third party is required to be made or obtained by or with respect to Arch or Buyer in connection with the execution, delivery and performance of this Agreement by Arch or Buyer.

5.5 Financial Capability. Arch and Buyer have the financial capability to perform all of their obligations under this Agreement, and Buyer has available all funds necessary to pay the Unadjusted Purchase Price, the Adjustment (if payable by Buyer) and any other amounts contemplated by this Agreement.

5.6 Accredited Investor. Buyer is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of the Securities Act.

5.7 Investment Intent. Buyer is acquiring the LLC Interests for its own account for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in any transaction that would be in violation of the securities laws of the United States or

any state thereof. Arch and Buyer each acknowledge that the LLC Interests have not been registered or qualified under, and are sold in reliance upon an exemption from the registration requirements of, the Securities Act and any applicable state securities or "Blue Sky" laws, and may not be offered, sold, transferred, pledged, hypothecated or otherwise assigned unless they are registered under the Securities Act and any applicable securities or "Blue Sky" laws of any state or an exemption from such registration is available.

5.8 Arch's and Buyer's Inquiry. Arch and Buyer and their representatives have reviewed or received copies of, or had the opportunity to review, including in a data room maintained by Seller, such information from ARCO, Seller and each of the Companies as they have requested, and have had the opportunity to make such inquiry of representatives of ARCO, Seller and each of the Companies as they deem appropriate. Arch and Buyer acknowledge that there are no representations or warranties, expressed or implied, except as expressly set forth in this Agreement.

5.9 Broker Liability. With respect to any broker, finder or similar consultant, retained by, or acting on behalf of Arch or Buyer, in connection with this Agreement or the Proposed Transactions, Arch or Buyer, as the case may be, shall be solely responsible and liable for any brokerage, finder's or similar consultant's fee or other commission in respect of such broker, finder or similar consultant.

5.10 Qualification, Compliance with Acreage Limitations. Each of Arch and Buyer is qualified under all applicable Laws to hold the interests in Federal and state coal leases it will acquire at the Closing. Immediately after the consummation of the Proposed Transactions, neither Arch nor Buyer will itself, directly or indirectly, or in combination with any Person, own holdings of Federal or state coal leases in excess of any applicable limitations.

5.11 No Independent Contact with ITOCHU. None of Arch, Buyer, any Affiliate of either or any officer, director, employee, agent or representative of any of the foregoing has, or prior to the Closing will have, communicated with or contacted ITOCHU in respect of the transactions contemplated by this Agreement, other than in the presence of one or more representatives of ARCO or as otherwise authorized by ARCO.

ARTICLE 6
COVENANTS AND AGREEMENTS OF THE PARTIES

6.1 Access to Information.

(a) Arch and Buyer acknowledge that prior to the Effective Date, Seller has caused each of the Companies to give Buyer and its authorized representatives reasonable access to the employees, offices, properties and a data room containing certain books and records of the Companies and their predecessors, has permitted Buyer to make inspections of and tour the Companies' mines and has furnished Buyer with certain financial and operating data and other information with respect to the business, assets, properties, operations, liabilities and obligations of each of the Companies and their predecessors. Prior to the Closing Date, Buyer shall have reasonable access during normal business hours to the operations, facilities, employees and

representatives of Seller, the Companies or ARCO as reasonably necessary to (i) verify the representations and warranties given by Seller and/or ARCO hereunder, or by ARCO and/or Delta under the Contribution Agreement, and (ii) begin planning for an orderly transition process with respect to transactions contemplated by this Agreement. Except as set forth in the preceding sentence or otherwise provided in this Agreement, from and after the Effective Date, neither Arch nor Buyer shall have the right to access the employees, offices, properties, books and records of any of the Companies, to inspect the Companies' mines or other properties or to inspect or have furnished financial or operating data or other information with respect to the business, assets, properties, operations, liabilities or obligations of Seller or any of the Companies.

(b) Prior to the Closing, Buyer shall keep (and shall cause its directors, officers, employees, representatives, advisors and Affiliates to keep) all information relating to each of the Companies (including any such information received prior to the date hereof) confidential, and shall use such information only, on the terms and conditions as are set forth in the confidentiality agreements between Seller and Buyer, together with any supplements or amendments thereto reasonably requested by Seller from time to time. After the Closing, each party hereto agrees to keep the terms and conditions of this Agreement confidential, and to redact any provisions reasonably requested by any other party (including Sections 6.19 and Section 6.21) from copies of this Agreement filed with the Securities and Exchange Commission, except for such matters as may be required to be disclosed by law or applicable stock exchange requirements or that are generally available in the public domain other than as a result of a breach of this Agreement by such party.

(c) After the Closing, Buyer shall, at its own expense or at the expense of the Companies, cause each Company to preserve and keep, or transport to a storage site of its own selection where it shall preserve and keep, the books and records of each of the Companies obtained by Buyer or retained by the Companies, including financial or business transaction records, books of original entry, tax records and supporting documents, for a period of seven years from the Closing Date or such longer period if required under applicable Laws. Within 60 days after the Closing, Seller shall provide Buyer with a list or inventory of the document types and inclusive dates of the records transmitted to Buyer or retained by the Companies. Buyer shall make or shall cause the Companies to make such acquired or retained records as are dated up to the Closing Date and included in the inventory provided by Seller, including the general ledger and mining reports, available to Seller as may be reasonably requested by Seller in connection with, among other things, any of Seller's financial reporting or Tax filing obligations, for a period of seven years from the Closing Date or such longer period if required under applicable Laws. For a period of 15 years after the Closing Date, Buyer shall notify Seller in writing, on an annual basis, of the document types and, if applicable, inclusive dates of any such retained records, that it or the Companies intend to destroy during the following one-year period. If Seller desires access to such records for a period of time longer than specified in Buyer's annual notice, Seller shall notify Buyer in writing, not more than 60 days following Seller's receipt of Buyer's annual notice, of its desire to retain such records, and Buyer shall deliver, or cause the Companies to deliver, such records to Seller. If Seller does not notify Buyer of its desire to retain records

within such 60-day period, Buyer or the Companies may dispose of such records according to prudent records management practices in the ordinary course of business.

(d) The parties hereby acknowledge that any in-house counsel of the Companies or Seller who are Employees and who participated in the preparation, negotiation or consummation of this Agreement or the transactions contemplated hereby were providing legal representation for the Seller and, notwithstanding any other provision of this Agreement, neither the Companies or Seller nor such counsel shall be required to disclose under any circumstance any information or documents covered by the attorney-client privilege or the work-product doctrine as such information or documents were developed in the course of such representation. All such information and documents shall remain the sole and exclusive property of Seller.

6.2 Conduct of the Business Pending the Closing. From the Effective Date to the Closing Date, except in connection with the transactions contemplated by this Agreement and the Contribution Agreement, or as otherwise consented to in writing by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), Seller and/or ARCO shall use commercially reasonable efforts, and consistent with its obligations under the limited liability company agreements of each of the Companies and TBCC, to cause each Company and TBCC to (a) conduct its business in the ordinary course and consistent with past practices, except that (i) none of the properties or assets listed in the Disclosure Schedule valued at $250,000 or more may be transferred, disposed of encumbered or hypothecated, (ii) no individual capital expenditure by any Company or TBCC in excess of $1 million or capital expenditures aggregating (for all Companies and TBCC) in excess of $25 million shall be made or committed and (iii) no Company or TBCC shall enter into any coal supply agreement with a term in excess of one year or materially amend any coal supply agreement disclosed in the Disclosure Schedule having a term in excess of one year (but TBCC shall have the right, but not the obligation, to bid on the Thunder Cloud Federal Lease Tract on such terms and conditions, including the amount of any bonus bid, as it elects in its sole discretion), (b) keep in full force and effect its limited liability company existence, (c) comply in all material respects with all material contracts, agreements and commitments set forth in Section 4.10 of the Disclosure Schedule to which it is a party, (d) use commercially reasonable efforts to retain its employees and maintain its business relationships with customers and suppliers and (e) maintain all facilities, equipment and other tangible assets in accordance with past maintenance practices of such Company or TBCC.

6.3 Notification. Between the Effective Date and the Closing Date, Seller and Buyer will each, promptly upon becoming aware thereof, notify the other in writing of any fact or condition that causes or constitutes a breach of any of the other party's representations and warranties made as of the Effective Date or of any default in the other party's performance of its covenants and agreements herein.

6.4 Antitrust Notification. Seller and Buyer shall, as promptly as practicable, but in no event later than ten business days after the Effective Date, file with the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "Antitrust Division") the notification and report form required for the Proposed Transactions pursuant to the HSR Act. Seller and Buyer shall furnish to each other such necessary information and

reasonable assistance as may be requested in connection with the preparation of any filing required to be made under the HSR Act. Seller and Buyer shall use commercially reasonable efforts to respond as promptly as practicable to all inquiries received from the FTC or the Antitrust Division for additional information or documentation and to obtain as promptly as practicable any clearance required under the HSR Act for the purchase and sale of the LLC Interests.

6.5 Fees and Expenses. Except as otherwise specifically provided in this Agreement, Seller and Buyer shall bear their own fees and expenses incurred in connection with this Agreement (including fees and expenses of their respective investment bankers) and in connection with all obligations required to be performed by each of them under this Agreement.

6.6 Publicity. Except as otherwise required by law or applicable stock exchange requirements, no party hereto shall issue any press release or public statement relating to or concerning this Agreement or the matters contained herein, without obtaining the prior approval of the other party hereto of the contents and the manner of presentation and publication thereof, which approval shall not be unreasonably withheld, conditioned or delayed.

6.7 Post-Closing Assistance. From and after the Closing Date, upon the request of either Arch or Buyer, on the one hand, or ARCO or Seller, on the other, the parties hereto shall do, execute, acknowledge and deliver all such further acts, assurances, deeds, assignments, transfers, conveyances and other instruments and papers as may be reasonably required or appropriate to carry out the transactions contemplated by this Agreement.

6.8 Guarantees. ARCO and/or Seller have provided certain guarantees, indemnities and similar obligations with respect to the Companies, which guarantees, indemnities and obligations are set forth in Section 6.8 of the Disclosure Schedule. Arch and Buyer agree to cooperate with ARCO and Seller and use their best efforts to cause the release of each such guarantee, indemnity and obligation, including the substitution of Arch, Buyer and/or an Affiliate of Arch or Buyer as the guarantor, indemnitor or responsible party thereunder and the release of ARCO and Seller, on or as soon as practicable after the Closing. Without limiting the foregoing, Arch and Buyer hereby undertake, assume and agree to perform, pay and discharge all such guarantees, indemnities and obligations, and Arch and Buyer shall indemnify and hold harmless any member of Seller's Group, including any officers, directors or Affiliates of such member, with respect to all Losses arising out of or relating to any such guarantee, indemnity or obligation.

6.9 Name Changes. No later than 30 days following the Closing Date, Buyer shall amend the certificate of incorporation of each Company to remove the word "ARCO" or any similarity or reference thereto. The new corporate name of the Companies adopted by Buyer shall not contain any word or words confusingly similar to "ARCO" or the "Atlantic Richfield Company." No later than six months following the Closing Date, Buyer shall remove the marks and names "ARCO," "ARCO COAL" and "ATLANTIC RICHFIELD" and the Spark Design and any other words, names or symbols proprietary to Seller, from all tangible and intangible properties, real and personal, acquired by Buyer hereunder.

6.10 Surety Bonds. Buyer will use commercially reasonable efforts to submit surety bonds (collectively, "Substitute Surety Bonds" and individually, a "Substitute Surety Bond"), effective as of the Closing, in substitution for ARCO's or Seller's surety bonds listed in Section 4.13 of the Disclosure Schedule (collectively, "Surety Bonds" and individually, a "Surety Bond"). If all the Substitute Surety Bonds are not effective 90 days after the Closing Date, Buyer shall be required to pay ARCO or Seller, in consideration of ARCO or Seller keeping in effect those Surety Bonds for which a Substitute Surety Bond is not then effective (collectively, the "Post-Closing Surety Bonds" and individually, a "Post-Closing Surety Bond"), an amount equal to one-half of one percent of the face value of the Post-Closing Surety Bonds per month (or pro rata portion thereof) until such time as Substitute Surety Bonds are effective, it being agreed that the aggregate face value of the Post-Closing Surety Bonds shall be reduced dollar-for-dollar by the face value of Substitute Surety Bonds as such Substitute Surety Bonds become effective after the Closing Date without regard to whether any of the Post-Closing Surety Bonds are released. In the event Substitute Surety Bonds in substitution for all the Post-Closing Surety Bonds are not effective within 180 days after the Closing Date, in lieu of Buyer's payment obligation under the preceding sentence, Buyer shall obtain, for the benefit of ARCO and/or Seller, performance bonds or other assurances, from such surety providers and with such terms and conditions reasonably acceptable to ARCO and Seller (the "Performance Bonds") in an aggregate face value equal to the aggregate face value of the Post-Closing Surety Bonds on and after such 180th day, it being agreed that the aggregate face value of the Performance Bonds shall be reduced dollar-for-dollar by the face value of Substitute Surety Bonds as such Substitute Surety Bonds thereafter become effective without regard to whether any of the Post-Closing Surety Bonds secured by the Performance Bonds are released. Without limiting the foregoing, Arch and Buyer shall indemnify and hold harmless each member of Seller's Group with respect to all Losses arising under the Surety Bonds.

6.11 Black Lung Liability. Arch and Buyer have reviewed any reserves and accruals of the Companies, including those which are with respect to potential liability under the Black Lung Benefits Act of 1972, as amended, the Black Lung Benefits Reform Act of 1977, as amended, and other applicable Federal and state black lung acts or laws designed to provide such benefits to employees. Buyer acknowledges that, except with respect to any breach of the representation and warranty made by Seller in Section 4.21 in respect of black lung liabilities, any Loss in respect of black lung shall not form the basis for any assertion of a breach of a representation or warranty contained in this Agreement.

6.12 Litigation Support. From and after the Closing Date, Arch and Buyer shall indemnify and hold harmless each member of Seller's Group with respect to all Losses arising out of or relating to any matter set forth in Section 4.14 of the Disclosure Schedule. Without limiting the foregoing, if and for so long as ARCO or Seller is defending or contesting any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction involving any of the Companies, Arch and Buyer shall cooperate and shall cause the Companies to cooperate (on and after the Closing Date) with ARCO or Seller and its counsel and agents in such defense or contest, make available its and their personnel and provide

such testimony and access to its and their books and records as shall be necessary in connection with such defense or contest, all at Buyer's cost.

6.13 Insurance. Buyer has reviewed the insurance policies set forth in Section 4.11 of the Disclosure Schedule. Seller agrees that all such insurance policies shall remain in full force and effect until the Closing. All coverage and benefits under such insurance policies and any other insurance policies of Seller or its Affiliates (subject to the terms thereof) shall cease at the Closing. On and after the Closing Date, Buyer shall be solely responsible for obtaining and maintaining any and all insurance coverage and protection relating to the respective business, assets, properties, operations, liabilities and obligations of the Companies.

6.14 Arch's and Buyer's Environmental Responsibilities. Arch and Buyer hereby acknowledge and agree that all Environmental Liabilities asserted against the Companies with respect or related to any property listed in Section 6.14 of the Disclosure Schedule (the "Properties") shall be retained by the Companies on and following the Closing Date, and that all Environmental Liabilities asserted against any member of Seller's Group with respect or related to the Properties shall be assumed by Arch and Buyer. From and after the Closing Date, Arch and Buyer shall perform, pay and discharge or cause the Companies to perform, pay and discharge all retained and assumed Environmental Liabilities, and shall indemnify and hold harmless each member of Seller's Group with respect to such Environmental Liabilities.

6.15 ARCO's and Seller's Environmental Responsibilities. ARCO and Seller hereby acknowledge and agree that all Environmental Liabilities resulting from the ownership or operation of properties other than the Properties (the "Other Properties") by the Companies or any of their predecessors or Affiliates (unless caused by Buyer, Arch, the Companies or any of their respective Affiliates on or after the Closing Date) shall be assumed by ARCO and Seller. From and after the Closing Date, ARCO and Seller shall perform, pay and discharge any such Environmental Liabilities assumed pursuant to this Section 6.15, and shall indemnify and hold harmless each Buyer Indemnitee with respect to such Environmental Liabilities.

6.16 Other Liabilities.

(a) Except as otherwise expressly provided in this Agreement and without limiting ARCO's or Seller's liability for breaches of representations and warranties and defaults of covenants and agreements under this Agreement and the Contribution Agreement, in addition to the Environmental Liabilities, Arch and Buyer hereby acknowledge and agree that all Other Liabilities shall be retained by the Companies on and following the Closing Date. Except with respect to Other Liabilities retained by Seller or required to be indemnified by ARCO and/or Seller, in each case as expressly provided under this Agreement, and by ARCO and/or Delta, in each case as expressly provided under the Contribution Agreement, from and after the Closing Date, Buyer shall perform, pay or discharge or cause the Companies to perform, pay or discharge such Other Liabilities, and shall indemnify and hold harmless any member of Seller's Group and any officer, director, employee, agent or Affiliate of such member with respect to such Other Liabilities.

(b) "Other Liabilities" shall mean any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursements or expenses (including attorneys' fees and costs, experts' fees and costs and consultants' fees and costs) of any kind or nature, whether existing on the Closing Date or arising thereafter (including those absolute, accrued, contingent, unknown or otherwise), that are asserted against a Company or any member of Seller's Group (including liability for property damages, business losses, personal injuries, penalties or fines and any losses of any character whatsoever arising from or relating to any surface slippage or subsidence at the West Elk Mine, except as provided in Section 6.21) arising out of, based on or relating to the business, assets, properties, operations, liabilities or obligations of any and all Companies, other than Environmental Liabilities.

6.17 ITOCHU Buy/Sell Agreement. Seller and Buyer acknowledge that the execution and delivery of this Agreement may give ITOCHU the right to initiate, at its election, certain procedures under the provisions contained in Articles 9 and 10 of the CFC Agreement and agree to use commercially reasonable efforts to cause ITOCHU to waive any such rights relating to the Proposed Transactions prior to the Closing Date. Within five days after the Effective Date, Seller shall give ITOCHU a "notice of proposed Transfer" pursuant to Section 9.1.2 of the CFC Agreement.

6.18 Commercially Reasonable Efforts. Each of Seller and Buyer will use commercially reasonable efforts to take all actions and do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including the satisfaction, but not the waiver, of the closing conditions set forth in Sections 10.1 and 10.2).

6.19 [Confidential Treatment Requested; material omitted from pp. 28-30.]*

6.20 Substitute Member in CFC Agreement. Buyer shall use its best efforts, in accordance with the terms of the CFC Agreement, to cause any references to Seller in the CFC Agreement to be amended to refer to Buyer, including references to Seller contained in Sections 5.2.5, 5.7, 5.10, 6.1, 9.1 and 10.5.3 of the CFC Agreement.

6.21 West Elk Mine Surface Facilities.

(a) The parties hereto acknowledge that movement of the surface of the earth (a "Surface Movement") at the West Elk Mine has in the past required, and may after the Effective Date require, certain remedial activities in order to permit the use, including the conveying and loading of coal (the "Intended Use"), of the surface facilities of the West Elk Mine. Prior to the Closing Date, Seller and ARCO shall take such periodic remedial activities as they reasonably determine are appropriate to permit the Intended Use of the surface facilities of the West Elk Mine. In addition, to the extent remedial activities are required as a result of a Surface Movement occurring prior to the Closing Date, if not previously remediated, Seller and/or ARCO shall, at their election, either (i) during the 15-day period following the Closing Date perform at Seller's and/or ARCO's cost and expense such actions as are reasonably required to permit the Intended Use of the surface facilities of the West Elk Mine, or (ii) reimburse Buyer for the actual costs reasonably incurred by Buyer to perform, during the 15-day period following the Closing Date, actions reasonably required to permit the Intended Use of the surface facilities of the West Elk Mine. During such 15-day period, Buyer and Arch shall

reasonably cooperate with ARCO and Seller in any activities conducted by either pursuant to this Section 6.21(a).

(b) If any Surface Movement occurs prior to the Closing Date that precludes the Intended Use of the surface facilities of the West Elk Mine, and that is not capable of being substantially remedied within the 15-day period following the Closing Date or which is not substantially remedied by Seller or ARCO within such 15-day period pursuant to Section 6.21(a) (a "West Elk Surface Movement Event"), Seller and ARCO shall indemnify and hold harmless Buyer against any and all Losses caused by and resulting from such West Elk Surface Movement Event. ARCO and Seller shall have no obligation to indemnify any Buyer Indemnitee for any Losses arising from or relating to any Surface Movement that occurs at the West Elk Mine on or after the Closing Date.

6.22 Disclosure Schedules. The parties hereto shall have ten (10) days after the Effective Date to revise the Disclosure Schedules delivered hereunder by written notice to the other party; provided, however, that no such revision shall materially alter the nature or effect of the specific item so modified, or alone or in the aggregate have a Material Adverse Effect. The revised Disclosure Schedules shall become the Disclosure Schedules to the Agreement as if initially attached hereto.

ARTICLE 7
EMPLOYEES AND EMPLOYEE BENEFITS

7.1 Retention of Employees and Continuation of Benefits.

(a) Section 7.1(a) of the Disclosure Schedule sets forth a list of the Employees who will be retained in employment by the Buyer ("Transferees"), which list shall be updated and supplemented by ARCO and agreed to by Buyer on and as of the Closing Date. Buyer shall take such action as may be necessary to provide that as of the Closing Date, the Transferees shall remain employed by the Companies or shall be employed by Buyer and Transferees shall, except as otherwise provided, participate in Buyer's employee benefit plans offered to similarly situated employees.

(b) Without limiting the foregoing, for purposes of this Article 7, Buyer shall ensure that on and following the Closing Date, the Transferees shall receive credit with respect to any benefit plan, arrangement or other right whether contemplated in Section 4.17 of the Disclosure Schedule or otherwise for any period of employment with ARCO or the Companies (including any applicable predecessors or Affiliates) prior to the Closing Date for eligibility and vesting purposes under each employee benefit plan, arrangement or other right; provided, however, that in no event shall any Transferees be given credit for any such purpose for any period of employment that was not counted for such purpose under any applicable plan, arrangement or Plan of ARCO or the Companies prior to the Closing Date.

7.2 Retention of Retirement Plans for Companies. Section 7.2 of the Disclosure Schedule sets forth a list of any retirement plan established and maintained by the Companies (collectively, the "Retirement Plans"). Buyer shall take such action as may be necessary to cause

any applicable Company to continue to administer and maintain its respective Retirement Plan until December 31, 1998. On and following the Closing Date, Buyer shall be responsible for retaining the sponsorship and all assets, accounts, liabilities and obligations of the Retirement Plans applicable to Transferees or former employees of the applicable Companies, and Buyer shall release, indemnify and hold harmless ARCO and any member of Seller's Group with respect to all Losses arising out of or relating to the Retirement Plans. Buyer agrees that if, after December 31, 1998, the defined benefit Retirement Plan is merged into the Buyer's Retirement Plan, the opening balance credits in the Buyer's Retirement Plan with respect to Transferees shall be no less than the assets of the merged Retirement Plan allocable to the Transferees, and Transferees shall be entitled to the transition credits, though not longer than December 31, 2012, based on their years of Retirement Plan benefit accrual service, as provided by the Buyer's Retirement Plan as of the date of such merger.

7.3 ARCO's Pension Plan. As of the Closing Date, any Transferees who are participants in the Atlantic Richfield Retirement Plan II (the "ARCO Retirement Plan") shall no longer participate in such plan. Buyer shall take such action as may be necessary to provide that all such Transferees shall participate in Buyer's cash balance defined benefit retirement plan (the "Buyer's Retirement Plan"). Buyer understands and agrees that the accrued benefits of any Transferees under the ARCO Retirement Plan shall not increase following the Closing Date and that any surplus under such plan with respect to such Transferees shall be retained by ARCO. Buyer agrees to provide open balance credits in Buyer's Retirement Plan with respect to Transferees based on the Transferee's monthly accrued benefit under the ARCO Retirement Plan and the conversion factor under the Buyer's Retirement Plan, as in effect on the Closing Date. Such Transferee's open balance credits shall be reduced by the present value of the Transferee's accrued benefit under the ARCO Retirement Plan. Buyer also agrees to provide Transferee's with transition credits, though not longer than December 31, 2012, based on their years of ARCO Retirement Plan benefit accrual service, as provided under Buyer's Retirement Plan, as in effect on the Closing Date.

7.4 Thrift Plan. As of the Closing Date, any Transferees who are participants in the Atlantic Richfield Capital Accumulation Plan II and the Atlantic Richfield Savings Plan II (collectively, the "ARCO Accumulation and Savings Plans") shall no longer participate in such plans. Buyer shall take such action as may be necessary to provide that all such Transferees shall participate in Buyer's defined contribution retirement plan(s) (collectively, the "Buyer's Savings Plan"). Buyer shall allow Transferees to make direct rollovers under Section 401(a)(31) of the Code or elective transfers under Treas. Reg. 1.411(d)-4, Q&A-3 of their account balances from the ARCO Accumulation and Savings Plans to Buyer's Savings Plan. Buyer and Seller understand and acknowledge that Transferees who are participants in the ARCO Accumulation and Savings Plans may at their election choose to leave their contributions in either or both of the ARCO Accumulation and Savings Plans.

7.5 Other Employee Benefits. Except as specifically set forth in Sections 7.2, 7.3 and 7.4, as of the Closing Date (i) Employees of ARCO or the Companies (and their respective beneficiaries and dependents) shall no longer participate in any employee benefit plan or arrangement maintained by ARCO and (ii) Buyer and the Companies shall assume or retain (as

applicable) all liabilities relating to Transferees or former employees of the Companies (and their respective beneficiaries and dependents). Without limiting the provisions of Section 7.1, Buyer shall continue to provide until December 31, 1998 under plans comparable to plans applicable to Transferees prior to the Closing, the following benefits: (i) the group health coverage currently provided to the Transferees, former employees and their dependents, or any sub-group thereof (collectively, the "Participants"), or comparable group health coverage which shall (A) waive any pre-existing condition limitations on benefits for the Participants, (B) waive any eligibility waiting periods for the Participants, and (C) give effect, in determining or applying any deductible and maximum out-of-pocket limitations, to claims incurred, amounts paid by or on behalf of and amounts reimbursed to the Participants under ARCO's or a Company's group health plan during the calendar year in effect as of the Closing Date, and (ii) benefits under the employee benefit plans described in Section 4.17 of the Disclosure Schedule. Without limiting the foregoing, Buyer agrees to provide coverage to the Transferees as required by the Consolidated Omnibus Budget Reconciliation Act of 1985.

7.6 Flexible Spending Accounts. Seller and Buyer agree to cooperate with each other in all reasonable respects to effect an orderly transition for Employees from the flexible spending account plans in which such Employees currently participate to Buyer's comparable plans as appropriate and to the extent permitted by applicable law.

7.7 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects with respect to administrative issues arising out of this Agreement that relate to the Plans of Seller, Buyer or their respective Affiliates.

7.8 Black Lung Matters. After the Closing, and subject to Arch's and Buyer's right to indemnity for ARCO's and/or Seller's breach of its representation and warranty in Section 4.21 of this Agreement, Buyer shall pay or cause the Companies to pay all liabilities of Seller or the Companies under the Federal Mine Safety and Health Act of 1977, as amended, and applicable Federal and state laws for claims for disability or death due to "black lung" or pneumoconiosis, whenever created.

7.9 Employee Termination by Buyer.

(a) In the event the employment of any Transferee is terminated for any or no reason following the Closing Date, ARCO shall have no liability with respect to any severance or other post-employment benefits applicable to such termination, and Buyer shall indemnify and hold harmless ARCO and any member of Seller's Group for all losses, claims, damages, liabilities, costs and expenses (including any attorney fees) arising out of or relating to any termination of employment or any severance or other post-employment benefit with respect to the Transferees following the Closing Date. Without limiting the foregoing, Buyer agrees to defend and indemnify ARCO or any member of Seller's Group for any losses, claims, damages, liabilities, costs and expenses (including any attorney fees) arising out of or relating to any claim for severance benefits for whatever reason or basis, including a change of a Transferee's terms and conditions of employment with the Buyer such as a change in compensation or employee benefit plans.

(b) Without limiting the generality of the foregoing, in the event the employment of any Transferee is terminated for any or no reason, other than for cause in accordance with Buyer's applicable disciplinary procedures, if any, within one year following the Closing Date, Buyer shall provide such Transferee severance benefits, including the payment of an allowance and the continuation of medical and dental coverage and the R-60, in accordance with the provisions of the Atlantic Richfield Special Termination Allowance Plan, as amended, the Atlantic Richfield Termination Allowance Plan Policy Provisions, the Canyon Fuel Company Special Termination Allowance Plan and the Canyon Fuel Company Special Termination Plan Policy Provisions, copies of which are attached hereto as Exhibit C, and any individual severance arrangement as set forth in Section 4.17 of the Disclosure Schedule, applicable to the Transferees prior to the Closing Date.

(c) Notwithstanding anything else in this Agreement, Buyer shall not be required to provide severance benefits for any of the individuals set forth in Section 7.9(c) of the Disclosure Schedule.

ARTICLE 8
TAXES

8.1 Certain Tax Matters.

(a) Seller will prepare and file or cause to be prepared and filed all Tax Returns for each Company required to be filed prior to the Closing Date with the appropriate United States, state, local and foreign governmental entities for any taxable period of each Company that ends on or before the Closing Date (the "Pre-Closing Tax Period"). Seller will make all payments shown thereon as owing with respect to any such Tax Return. Seller will prepare and, if required to do so by applicable law, deliver to Buyer for signing and filing any state income Tax Returns of each Company with respect to any Pre-Closing Tax Period (including any short period) that have not been filed prior to the Closing Date. Buyer will make all payments shown thereon as owing with respect to any such Tax Return.

(b) Except as otherwise provided in Section 8.1(a) or (c), Buyer will prepare and file or cause to be prepared and filed all Tax Returns for each Company that are required to be filed with the appropriate United States, state, local and foreign governmental entities for all periods as to which such Tax Returns are due after the Closing Date. Buyer will pay or cause to be paid all Taxes required to be paid with respect to such Tax Returns.

(c) With respect to any taxable period that would otherwise include but not end on the Closing Date, to the extent permissible pursuant to applicable law, Seller will, and Buyer will cause each Company to, (i) take all steps as are or may be reasonably necessary, including the filing of elections or returns with applicable taxing authorities, to cause such period to end on the Closing Date; or (ii) if clause (i) is inapplicable, report the operations of each Company only for the portion of such period ending on or immediately before the Closing Date in a combined, consolidated or unitary Tax Return filed by Seller, notwithstanding that such taxable period does not end on the Closing Date. If clause (ii) applies to a taxable period of a Company, the portion of such taxable period included in such return filed by Seller will be

treated as a Pre-Closing Tax Period described in Section 8.1(a) and Buyer will not be responsible for filing such return for such year pursuant to Section 8.1(b).

(d) In order to assist Seller in the preparation of all Tax Returns that Seller is required to prepare pursuant to Section 8.1(a), Buyer will prepare or cause each Company to prepare and deliver within 60 days of receipt Seller's standard Federal and state tax return data gathering packages relating to the Companies. In addition to providing such packages, Buyer will promptly provide or cause to be provided to Seller such other information as Seller may reasonably request (including access to books, records and personnel) in order for the operations of the Companies to be properly reported in such Tax Returns, for the preparation for any Tax audit or for the prosecution or defense of any claim, suit or proceeding relating to Taxes.

(e) To the extent refunds of Taxes are not recorded on the Closing Balance Sheet, Buyer will pay or cause to be paid to Seller all refunds or credits of Taxes (including any interest thereon) received by Buyer or CFC after the Closing Date and attributable to Taxes paid by Seller with respect to any Pre-Closing Tax Period. Such payment will be made to Seller within 30 days after receipt of any such refund from or allowance of such credit by the relevant taxing authority.

(f) Seller will indemnify and hold Buyer harmless from and against any and all liability for any taxable period as a result of Treasury Regulation Section 1.1502-6 (or any comparable provision of state or local law) for taxes of any corporation or other entity, other than the Companies, which is or has been affiliated with the Seller.

ARTICLE 9
INDEMNIFICATION

9.1 Arch's and Buyer's Indemnification. Subject to any applicable limitations set forth in this Article 9, Arch and Buyer, jointly and severally, shall indemnify and hold harmless each member of Seller's Group and their respective officers, directors, employees, agents and Affiliates, other than the Companies (collectively, the Seller Indemnitees"), from and against any and all Losses to which they or any of them may become subject, including as a result of claims by third parties, to the extent caused by:

(a) any breach or default in performance by Arch or Buyer of any covenant, obligation or agreement of Arch or Buyer contained in this Agreement, including those obligations of Arch and Buyer set forth in Articles 3, 6, 7 and 8 hereof, specifically including any covenant, obligation or agreement of Arch or Buyer in respect of Environmental Liabilities related to the Properties as provided in Section 6.14, and in respect of Other Liabilities as provided in Section 6.16(a); or

(b) any breach of any representation or warranty made by Arch or Buyer in this Agreement or in any certificate, instrument or other document delivered by or on behalf of Arch or Buyer at the Closing;

and as otherwise expressly provided for in this Agreement, including in respect of Transfer Taxes as provided in Section 2.4.

9.2 ARCO's and Seller's Indemnification. Subject to any applicable limitations set forth in this Article 9, ARCO and Seller, jointly and severally, shall indemnify and hold harmless Arch, Buyer and their respective officers, directors, employees, agents and Affiliates, including after the Closing, the Companies (other than CFC) and their officers, directors, employees, agents and Affiliates (collectively, the "Buyer Indemnitees"), from and against any and all Losses to which they or any of them may become subject, including as a result of claims by third parties, to the extent caused by:

(a) any breach or default in performance by ARCO or Seller, as the case may be, of any covenant, obligation or agreement of ARCO or Seller contained in this Agreement including those obligations of ARCO and Seller set forth in Articles 3, 6, 7 and 8 hereof, specifically including any covenant, obligation or agreement of ARCO or Seller in respect of Environmental Liabilities related to the ownership or operation of the Other Properties, as provided in Section 6.15, and in respect of certain Tax liabilities under Section 8.1(f); or

(b) any breach of any representation or warranty made by ARCO or Seller in this Agreement or in any certificate, instrument or other document delivered by or on behalf of ARCO or Seller at the Closing;

and as otherwise expressly provided for in this Agreement.

9.3 Monetary Limitation.

(a) As used in this Agreement, "Losses" shall mean any losses, claims, damages, liabilities, out-of-pocket costs and expenses (including judgment costs of settlement and reasonable attorneys', consultants' and experts' fees). "Other Losses" shall mean any Losses as defined in the Contribution Agreement. "Combined Buyer's Losses" shall mean the aggregate of all Losses of Buyer Indemnitees and all Other Losses of Buyer Indemnitees that ARCO, Seller or Delta are obligated to indemnify against pursuant to this Agreement or pursuant to the Contribution Agreement, [Confidential Treatment Requested]*. Notwithstanding the foregoing, the dollar amount of any Losses shall be determined after taking into account the limitations set forth in Section 9.6(d).

(b) ARCO, Seller and Delta shall have no obligation to indemnify any Buyer Indemnitee pursuant to Section 9.2 (other than for any breach of the representations, warranties or covenants set forth in Sections 4.6, 4.12(b), 4.26, 6.15 and 6.21), unless and until the Combined Buyer's Losses incurred or sustained by all Buyer Indemnitees exceeds $25 million (provided that no individual Loss or Other Loss of less than $500,000 shall be counted against such $25 million), and then only for the excess over $25 million. In addition, the liability of ARCO, Seller and Delta to indemnify the Buyer Indemnitees for Combined Buyer's Losses (other than Losses arising under Sections 4.6, 4.26, 6.15 and 6.21 of this Agreement [Confidential Treatment Requested]* shall in no event exceed $500 million in the aggregate.

9.4 Nature and Survival; Time Limits.

(a) All representations and warranties set forth in Articles 4 and 5 shall survive the Closing and continue in effect until the first anniversary of the Closing Date, at which time any and all liability arising out of or relating to such representations and warranties shall terminate, provided that ARCO's and Seller's representations and warranties under Section 4.6 as to title to the LLC Interests to which Buyer's indemnification obligations apply shall survive the Closing for three years. Any claim against any party hereto for indemnification pursuant to this Agreement as a result of any breach of representation or warranty made by such party must be made promptly, and in all events within the period of time during which such representation or warranty survives the Closing pursuant to this Section 9.4(a), if any.

(b) Except for the representations and warranties described in Section 9.4(a), all covenants, obligations and agreements of the parties set forth in this Agreement, including those obligations set forth in Articles 6, 7 and 8 hereof, shall survive indefinitely.

9.5 Limitation on Remedies; Mitigation. The indemnification provided in this Agreement, subject to any applicable limitations thereto set forth in this Agreement, shall be the sole and exclusive remedy available to a party for any breach, default or violation of this Agreement by the other party. The Indemnified Party shall use all reasonable efforts to mitigate any Losses.

9.6 General Provisions. In the case of any claim for indemnification brought pursuant to this Agreement:

(a) The party entitled to indemnification (the "Indemnified Party") shall notify the party obligated to provide indemnification (the "Indemnifying Party") promptly upon (i) receipt of notice of the commencement of the claim by a third party for which indemnification is sought pursuant to this Agreement, (ii) becoming aware of a claim for indemnification not involving a claim by a third party and (iii) the occurrence of any material event or change with respect to any ongoing claim, in writing and in reasonable detail, and within any applicable time limits specified in this Agreement.

(b) In case any such claim is brought against any Indemnified Party, and it notifies the Indemnifying Party of the commencement thereof, or in respect of any ongoing action, the Indemnifying Party will be entitled to participate therein and, to the extent it may wish, jointly with any other Indemnifying Party similarly notified, to assume the defense thereof. Subsequent to such assumption of defense, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof; provided, however, that the Indemnified Party shall thereafter have the right to participate in the defense of such claim and to be represented, solely at its expense, by advisory counsel selected by it. In all cases in which the Indemnifying Party assumes the defense of such claim, the Indemnifying Party shall control such defense, and any settlement of such claim shall require the consent of the Indemnified Party, which consent may not be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary contained in this Section 9.6, the Indemnified Party shall have the right to employ separate

counsel at its sole cost and expense if there shall be available one or more defenses or one or more counterclaims available to the Indemnified Party which conflicts with one or more defenses or one or more claims or counterclaims available to the Indemnifying Party. Whether or not the Indemnifying Party shall have assumed the defense of a claim for which the Indemnified Party is entitled to be indemnified, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) The Indemnified Party will, at the expense of the Indemnifying Party, cooperate and consult with the Indemnifying Party in the defense of any such action and shall furnish any documents and endeavor to make available any witnesses under its control.

(d) Any indemnification payment shall be (i) limited to the Losses actually incurred (after giving effect to the Present Value Benefit, realized or realizable by the Indemnified Party in connection with or as a result of the incurrence of the Loss for which the indemnity payment is to be made) and shall not include punitive damages, indirect damages or consequential damages (including lost profits) incurred by the Indemnified Party, (ii) net of insurance proceeds received by the Indemnified Party (and the amount of indemnification payable under this Agreement shall not include the amount of any insurance proceeds actually recovered by the Indemnified Party with respect to a Loss) and (iii) in the case of Buyer Indemnitees, net of any reserves of the Companies reflected on the Interim Date Balance Sheet applicable thereto. The foregoing limitations shall apply before application of the monetary limitations specified in Section 9.3(b). If the amount to be netted hereunder from any payment by the Indemnifying Party is determined after the Indemnifying Party has already paid any amount required to be paid pursuant to this Agreement, the Indemnified Party shall repay to the Indemnifying Party, promptly after such determination, any amount that the Indemnifying Party would not have had to pay pursuant to this Agreement had such determination been made at the time of such payment.

(e) Notwithstanding anything to the contrary contained herein, any indemnification obligation of Seller or ARCO pursuant to this Agreement relating to a Loss realized by CFC shall be limited to reflect the then-existing ownership percentage of the membership interests in CFC owned by Buyer and/or its Affiliates (without giving effect to any increase in Buyer's and/or its Affiliates' ownership of membership interests in CFC subsequent to the Closing Date).

9.7 Tax Treatment. Any indemnity payment by Arch and/or Buyer under this Agreement shall be treated as an increase in the Purchase Price for tax purposes, and any indemnity payment by ARCO and/or Seller under this Agreement shall be treated as a decrease in the Purchase Price for tax purposes unless otherwise required by applicable Laws, in which case such payment shall be made in an amount sufficient to indemnify the party on a net after-tax basis taking into account any tax deduction allowed the indemnified party with respect to the indemnified event.

ARTICLE 10
CONDITIONS TO CLOSING

10.1 Conditions Precedent to Obligations of Arch and Buyer. The obligation of Arch and Buyer to purchase and pay for the LLC Interests is subject to the satisfaction (or waiver by Buyer), prior to or on the Closing Date, of each of the following conditions:

(a) Any breach or breaches of the representations and warranties of ARCO or Seller contained in this Agreement or in the Contribution Agreement at and as of the Closing Date, after giving effect to such representations and warranties as though made on and as of the Closing Date (except for representations and warranties made as of a specific date, which shall be given effect as of such date), that alone or in the aggregate do not have a Material Adverse Effect.

(b) ARCO and Seller shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by ARCO or Seller prior to or at the Closing, including notifications under Section 6.3.

(c) The waiting period under the HSR Act shall have expired or been terminated, and neither the Antitrust Division nor the FTC shall have indicated its objection to, or its intent to challenge as violative of any Federal laws, any of the transactions contemplated by the Agreement.

(d) Buyer shall have received an opinion, dated the Closing Date, of counsel employed by ARCO, in form and substance reasonably acceptable to Arch and Buyer.

(e) There shall not be in effect any injunction or order issued by any court or administrative agency of competent jurisdiction preventing in any material respect the consummation of the transactions contemplated by this Agreement on the Closing Date.

(f) Buyer shall have received such resignations of the officers and directors of the Companies as shall have been requested by Buyer in writing not less than 30 days prior to the Closing Date, subject to the provisions of Article 7.

(g) Since the Effective Date, there have been no adverse events or occurrences, other than adverse events or occurrences as a result of general economic conditions or other conditions affecting the industry in which the Companies operate (including fluctuations in coal prices and legislative or regulatory conditions) that together with the total amount of the claims of Buyer Indemnitees for ARCO's or Seller's breaches of their representations or warranties contained in this Agreement or the Contribution Agreement as of the Closing Date, have a Material Adverse Effect.

(h) The transactions contemplated in the Contribution Agreement shall be consummated concurrently with the Closing.

If the Closing occurs, nothing in this Section 10.1 shall be construed to limit Buyer's indemnification rights or the amount of ARCO's or Seller's indemnification obligations, and it is expressly agreed that unless waived in writing by Arch and Buyer at or prior to the Closing, any remedy available to Arch or Buyer for ARCO's or Seller's breach of its representations and warranties or substantial failure to perform or comply with any obligation or covenant, including Arch's or Seller's indemnification obligations after the Closing in respect of such breaches and failures occurring on or prior to Closing, shall survive Closing and be unaffected thereby.

10.2 Conditions Precedent to Obligations of ARCO and Seller. The obligation of ARCO and Seller to sell and deliver the LLC Interests to Arch and Buyer is subject to the satisfaction (or waiver by Seller), prior to or on the Closing Date, of each of the following conditions:

(a) The representations and warranties of Arch and Buyer contained in this Agreement shall be true and correct in all material respects at and as of the Closing Date, with the same effect as though made on and as of the Closing Date (except for representations and warranties made as of a specific date of which shall be true and correct in all material respects as of such date).

(b) Arch and Buyer shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Arch or Buyer prior to or at the Closing.

(c) The waiting period under the HSR Act shall have expired or been terminated, and neither the Antitrust Division nor the FTC shall have indicated its objection to, or its intent to challenge as violative of any Federal laws, any of the transactions contemplated by this Agreement.

(d) Seller shall have received an opinion, dated the Closing Date, of counsel for Buyer, in form and substance reasonably acceptable to ARCO and Seller.

(e) There shall not be in effect any injunction or order issued by any court or administrative agency of competent jurisdiction preventing the consummation of the transactions contemplated by this Agreement on the Closing Date.

(f) The transactions contemplated in the Contribution Agreement shall be consummated concurrently with the Closing.

(g) Any consents necessary to transfer operating permits for mines owned by any of the Companies shall have been obtained, unless Arch and Buyer shall have agreed to indemnify ARCO and Seller from any Losses arising out of the failure to obtain such consents.

If the Closing occurs, nothing in this Section 10.2 shall be construed to limit ARCO's or Seller's indemnification rights or the amount of Arch's or Buyer's indemnification obligations, and it is expressly agreed that, unless waived by ARCO and Seller in writing at or prior to the Closing, any remedy available to ARCO or Seller for Arch's or Buyer's breach of their

representations and warranties or substantial failure to perform or comply with any obligation or covenant, including Arch's and Buyer's indemnification obligations after the Closing in respect of such breaches and failures occurring on or prior to Closing, shall survive Closing and be unaffected thereby.

ARTICLE 11
TERMINATION OF AGREEMENT

11.1 Termination Before Closing. This Agreement may be terminated at any time before Closing:

(a) by the mutual consent of ARCO, Seller, Arch and Buyer in writing;

(b) by Buyer(i) if there have been breaches by ARCO or Seller of any representations or warranties of ARCO and/or Seller contained in this Agreement or in the Contribution Agreement that alone or in the aggregate have a Material Adverse Effect, and if the breaches have continued for a period of 30 days following Buyer's notification to Seller of such breaches, or (ii) if events have occurred which have made it impossible to satisfy the conditions precedent to the obligations of Arch and Buyer set forth in Section 10.1;

(c) by Seller (i) if there have been material breaches by Arch or Buyer of any representations or warranties of Arch and/or Buyer contained in this Agreement or in the Contribution Agreement, and if the breaches have continued for a period of 30 days following Seller's notification to Buyer of such breaches, or (ii) if events have occurred which have made it impossible to satisfy the conditions precedent to the obligations of ARCO and Seller set forth in Section 10.2;

(d) by Buyer if Closing has not occurred on or prior to 75 days after the Effective Date other than primarily as a result of Buyer's breach or default of this Agreement; or

(e) by Seller if the Closing has not occurred on or prior to 75 days after the Effective Date other than primarily as a result of Seller's breach or default of this Agreement.

11.2 Effect of Termination. If this Agreement is terminated pursuant to Section 11.1, all further obligations of the parties under this Agreement will terminate and there shall be no liability on the part of any party to this Agreement, except for material willful breaches of and intentional misstatements in or pursuant to this Agreement prior to the time of such termination; provided, however, that the obligations in Sections 6.1(b), 6.5, 6.6, 11.2, 12.3 and 12.10 shall survive the termination of this Agreement.

ARTICLE 12
MISCELLANEOUS

12.1 Entire Agreement. This Agreement, including the Exhibits and the Disclosure Schedule, and, to the extent referenced herein, the Contribution Agreement set forth the entire

agreement and understanding of the parties in respect of the transactions contemplated herein and supersedes any previous agreements and understandings between the parties with respect thereto.

12.2 Construction. This Agreement is the result of arms-length negotiations between, and has been prepared and reviewed by, each party hereto and its respective counsel. Accordingly, this Agreement shall be deemed to be the product of each party hereto.

12.3 Governing Law. The validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties hereto shall be governed by the substantive laws of the State of Delaware without regard to the principles of conflict of laws of the State of Delaware or any other jurisdiction (except those that cannot be waived) that would call for the application of the substantive law of any jurisdiction other than the State of Delaware.

12.4 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been duly given or made upon: (i) delivery by hand, (ii) one business day after being sent by overnight courier, (iii) four business days after being deposited in the United States mail, postage prepaid, or (iv) in the case of transmission by facsimile, when confirmation of receipt is obtained. Such communications shall be addressed and directed to the parties listed below as follows:

If to Seller or ARCO:
Atlantic Richfield Company
515 South Flower Street
Los Angeles, CA 90071
Facsimile: 213-486-0170 (Treasurer)
Facsimile: 213-486-1544 (General Counsel)
Attention: Treasurer
Attention: General Counsel

If to Buyer:
Arch Western Acquisition Corporation
c/o Arch Coal, Inc.
CityPlace One, Suite 300
St. Louis, Missouri 63141
Facsimile: 314-994-2734
Attention: Jeffry N. Quinn

If to Arch:
Arch Coal, Inc.
CityPlace One, Suite 300
St. Louis, Missouri 63141
Facsimile: 314-994-2734
Attention: Jeffry N. Quinn

12.5 Waiver. Waivers of or consents to departures from the provisions hereof may be given; provided, however, that the same shall be in writing and be signed by each of the parties

hereto. No such waiver or consent shall be construed as a waiver of or consent to any other departure from any such provisions or any other provisions hereof.

12.6 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. No assignment of this Agreement or of any rights or obligations hereunder may be made, in whole or in part, by any party (by operation of law or otherwise) without the prior written consent of the other party hereto, and any purported assignment without consent shall be void.

12.7 Amendment. This Agreement may not be amended, modified or supplemented unless the same shall be in writing and signed by each of the parties hereto.

12.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one and the same document.

12.9 No Third Party Beneficiaries. The terms, agreements and provisions of the parties set forth in this Agreement are not intended for, nor shall they be for the benefit of or enforceable by, any Person not a party hereto, including each of the Companies.

12.10 Jurisdiction; Service of Process.

(a) Each party to this Agreement hereby irrevocably submits itself to the non-exclusive jurisdiction of the Supreme Court for the State of New York, sitting in the Borough of Manhattan, or the United States District Court for the Southern District of New York, (i) for the purposes of any suit, action or other proceeding brought by any other party, or its respective successors or assigns arising out of this Agreement or transactions contemplated by this Agreement or the Contribution Agreement, (ii) to enforce a resolution, settlement, order or award made pursuant thereto, or any obligation for the payment of money contained herein. To the extent permitted by applicable Law, each party to the Agreement hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that (a) it is not personally subject to the jurisdiction of the above-named courts, (b) the suit, action or proceeding is brought in an inconvenient forum, (c) the venue of the suit, action or proceeding is improper, or (d) a resolution, settlement or order made pursuant thereto, or such an obligation for the payment of money, may not be enforced in or by such court. Nothing contained herein shall be deemed to waive the right of a party to seek removal of a matter from state court to Federal court if such removal is otherwise permissible.

(b) Each party to this Agreement hereby consents to service of process on it at the office for service of process set forth below as its office for service of process and additionally irrevocably designates and appoints the person named in Exhibit D as its "Agent" and attorney-in-fact to receive service of process in any action, suit or proceeding with respect to any matter as to which it submits to jurisdiction as set forth above, it being agreed that service upon Agent shall constitute valid service upon the party or its successors or assigns. Each party agrees that (x) the sole responsibilities of the Agent shall be (i) to receive such process, (ii) to send a copy of any such process so received to such party, by registered airmail, return receipt requested, at the address for it set forth in Section 12.4, or at the last address filled in writing by

it with the Agent, and (iii) to give prompt telecopied notice of receipt thereof to it at such address (y) the Agent shall have no responsibility for the receipt or nonreceipt by the respective party of such process, nor for any performance or nonperformance by the respective party or its respective successors or assigns, and (z) failure of the Agent to send a copy of any such process or otherwise to give notice thereof to the respective party shall not affect the validity of such service or any judgment in any action, suit or proceeding based thereon. If service of process cannot be effected in the foregoing manner, each party further irrevocably consents to the service of process in any action, suit or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, return receipt requested, to it at its address set forth in Section 12.4 hereof. The foregoing, however, shall not limit the right of the party to serve process in any other manner permitted by Law. Any judgment against a party in any suit for which such party has no further right of appeal shall be conclusive, and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and of the amount of any indebtedness or liability of such party therein described; provided, however, that the plaintiff may at its option bring suit, or institute other judicial proceedings, against such party or any of its assets in the courts of any country or place where such party or such assets may be found. Each party further covenants and agrees that for 3 years following the Closing Date, it shall maintain a duly appointed agent for the service of summonses and other legal processes in New York.

(c) For purposes of this Section 12.10, the Agent and offices for service of process for each of the parties shall be as set forth on Exhibit D or such other person or offices as shall be designated in writing by any party to the other parties.

12.11 Disclaimer for Communications. Except as and to the extent set forth in this Agreement ARCO, Seller and their respective Affiliates make no representation, promise, covenant or warranty regarding any of the Companies, their assets, business, operations, liabilities or obligations, or otherwise, and disclaim all liability and responsibility for any representation, warranty, disclosure or statement made or communicated (orally or in writing) to Arch, Buyer or their respective Affiliates or to any officer, stockholder, director, employee, agent, consultant or representative of Arch, Buyer or their respective Affiliates, including any information provided by any investment banking firm or other agent of ARCO or Seller, or any opinion, statement or advice which may have been provided to Arch, Buyer or its respective Affiliates by any officer, stockholder, director, employee, agent, consultant or representative of ARCO, Seller or the Companies.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement as of the date first written above.

ATLANTIC RICHFIELD COMPANY

/s/ Terry G. Dallas

By: Terry G. Dallas
Title: Senior Vice President and Treasurer

ARCO UINTA COAL COMPANY

/s/ Charles P. Cooley

By: Charles P. Cooley
Title: Treasurer

ARCH COAL, INC.

/s/ David B. Peugh

By: David B. Peugh

Title: Vice President

ARCH WESTERN ACQUISITION CORPORATION

/s/ Jeffry N. Quinn

By: Jeffry N. Quinn

Title: President

DISCLOSURE SCHEDULES TO
THE PURCHASE AND SALE AGREEMENT

I. DISCLOSURE SCHEDULE - Atlantic Richfield Company

Schedule 4.3	No Violations
Schedule 4.4	Approvals, Consents and Other Actions
Schedule 4.8	Real Property
Schedule 4.11	Insurance Policies
Schedule 4.14	Litigation
Schedule 4.17	Employee Benefit Plans
Schedule 4.23	Assets
Schedule 6.8	Guarantees
Schedule 7.1	Retention of Employees and Continuation of Benefits
Schedule 7.2	Retention of Retirement Plans for Companies
Schedule 7.9(c)	Employee Termination By Buyer

II. DISCLOSURE SCHEDULE - AU SUB

Schedule 4.3	No Violations
Schedule 4.4	Approvals, Consents and Other Actions
Schedule 4.7	Capitalization
Schedule 4.9	Buildings, Structures and Tangible Personal Property
Schedule 4.10	Material Contracts
Schedule 4.12	Taxes
Schedule 4.15	Compliance with Laws
Schedule 4.16	Labor Matters
Schedule 4.18	Bank Accounts
Schedule 4.22	Conduct of Business

III. DISCLOSURE SCHEDULE - Mountain Coal Company, L.L.C.

Schedule 4.3	No Violations
Schedule 4.4	Approvals, Consents and Other Actions
Schedule 4.7	Capitalization
Schedule 4.8	Real Property
Schedule 4.9	Buildings, Structures and Tangible Personal Property
Schedule 4.10	Material Contracts
Schedule 4.11	Insurance Policies
Schedule 4.12	Taxes
Schedule 4.13	Licenses, Permits, Authorizations
Schedule 4.14	Litigation
Schedule 4.15	Compliance with Laws
Schedule 4.16	Labor Matters
Schedule 4.17	Employee Benefit Plans
Schedule 4.18	Bank Accounts
Schedule 4.22	Conduct of Business
Schedule 4.23	Assets
Schedule 6.8	Guarantees
Schedule 6.14	Environmental Matters/Properties
Schedule 7.1	Retention of Employees and Continuation of Benefits
Schedule 7.2	Retention of Retirement Plans for Companies

IV. DISCLOSURE SCHEDULE - Canyon Fuel Company, L.L.C.

Schedule 4.3	No Violations
Schedule 4.4	Approvals, Consents and Other Actions
Schedule 4.7	Capitalization
Schedule 4.8	Real Property
Schedule 4.9	Buildings, Structures and Tangible Personal Property
Schedule 4.10	Material Contracts
Schedule 4.11	Insurance Policies
Schedule 4.12	Taxes
Schedule 4.13	Licenses, Permits, Authorizations
Schedule 4.14	Litigation
Schedule 4.15	Compliance with Laws
Schedule 4.16	Labor Matters
Schedule 4.17	Employee Benefit Plans
Schedule 4.18	Bank Accounts
Schedule 4.22	Conduct of Business
Schedule 4.23	Assets
Schedule 6.8	Guarantees
Schedule 6.14	Environmental Matters/Properties
Schedule 7.1	Retention of Employees and Continuation of Benefits
Schedule 7.2	Retention of Retirement Plans for Companies

V. DISCLOSURE SCHEDULE - Thunder Basin Coal Company, L.L.C.

Schedule 4.3	No Violations
Schedule 4.4	Approvals, Consents and Other Actions
Schedule 4.7	Capitalization
Schedule 4.8	Real Property
Schedule 4.9	Buildings, Structures and Tangible Personal Property
Schedule 4.10	Material Contracts
Schedule 4.11	Insurance Policies
Schedule 4.12	Taxes
Schedule 4.13	Licenses, Permits, Authorizations
Schedule 4.14	Litigation
Schedule 4.15	Compliance with Laws
Schedule 4.16	Labor Matters
Schedule 4.17	Employee Benefit Plans
Schedule 4.18	Bank Accounts
Schedule 4.22	Conduct of Business
Schedule 4.23	Assets
Schedule 7.8	Guarantees
Schedule 7.14	Environmental Matters/Properties
Schedule 8.1	Retention of Employees and Continuation of Benefits
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CONTRIBUTION AGREEMENT

among

ARCH COAL, INC.

ARCH WESTERN ACQUISITION CORPORATION

ATLANTIC RICHFIELD COMPANY

DELTA HOUSING INC.

and

ARCH WESTERN RESOURCES LLC

Dated: MARCH 22, 1998

* Portions of this document have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission (the "Commission") pursuant to Rule 24b-2 under the U.S. Securities Exchange Act of 1934, as amended. Such portions have been filed separately with the Commission and are identified in this document by the following legend: "[Confidential Treatment Requested]*."

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CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (the "AGREEMENT"), dated as of March 22, 1998 (the "EFFECTIVE DATE") among Arch Coal, Inc., a Delaware corporation ("ARCH"), Arch Western Acquisition Corporation, a Delaware corporation ("ACQUISITION CORP."), Atlantic Richfield Company, a Delaware corporation ("ARCO"), Delta Housing Inc., a Delaware corporation ("DELTA HOUSING"), and Arch Western Resources LLC, a Delaware limited liability company (the "Company").

WHEREAS, ARCO currently owns all of the outstanding capital stock of ARCO Uinta, and ARCO Uinta will own all of the outstanding membership interests in AUS; and

WHEREAS, ARCO Uinta will sell all of its membership interests in MCC LLC, CFC and AUS to Acquisition Corp. for the consideration and upon the terms and conditions set forth in the Purchase Agreement; and

WHEREAS, ARCO will transfer its interest in TBCC to the Company in exchange for a membership interest in the Company; and

WHEREAS, ARCO will contribute its membership interest in the Company to Delta Housing; and

WHEREAS, Delta Housing will transfer to the Company its membership interest in SL; and

WHEREAS, Acquisition Corp. will transfer its membership interests in AOW, AUS, MCC LLC and CFC to the Company in exchange for membership interests in the Company; and

WHEREAS, the Company desires to accept the assignment, conveyance and transfer of the membership interests in TBCC, SL, AOW, AUS, MCC LLC and CFC upon the terms and conditions hereinafter set forth; and

WHEREAS, Acquisition Corp. and Delta Housing desire to enter into the Company Agreement to govern the conduct and operation of the Company and its business after the Closing;

NOW THEREFORE, in consideration of the premises and of the mutual covenants of the parties hereto, it is hereby agreed as follows:

ARTICLE 1
DEFINITIONS

1.1 DEFINITIONS. As used herein, the following terms shall have the meanings set forth below:

"ACC" shall mean the United States assets of ARCO Coal Company, a division of ARCO.

"ACQUISITION CORP." shall have the meaning set forth in the Preamble.

"ACT" shall mean ARCO Coal Terminal, a Delaware corporation.

"ADJUSTMENT" shall have the meaning set forth in Section 2.6(b).

"AFFILIATE" of any specified Person shall mean any other Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such specified Person, and the term "affiliated with" shall have a correlative meaning. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement, or otherwise. As used with respect to any Arch Party (except for purposes of Section 10.2), "Affiliate" shall not include Ashland Inc., a Kentucky corporation, or any of its subsidiaries other than Arch. As used with respect to any ARCO Party, "Affiliate" shall not include ARCO Chemical Company, a Delaware corporation, or Vastar Resources, Inc., a Delaware corporation.

"AGENT" shall have the meaning set forth in Section 13.10(b).

"AGREED RATE" shall mean six percent per annum.

"AGREEMENT" shall have the meaning set forth in the Preamble.

"ANTITRUST DIVISION" shall have the meaning set forth in Section 7.4.

"AOW" means Arch of Wyoming LLC, a Delaware limited liability company.

"AOW CLOSING DATE BALANCE SHEET" shall have the meaning set forth in Section 5.21.

"ARCH" shall have the meaning set forth in the Preamble.

"ARCH DISCLOSURE SCHEDULE" shall mean the document attached hereto titled as such.

"ARCH INDEMNITEES" shall mean Arch and the Arch Parties.

"ARCH OF WYOMING" shall mean Arch of Wyoming, Inc., a Delaware corporation.

"ARCH PARTIES" shall mean Acquisition Corp., AOW, MCC LLC, AUS and CFC.

"ARCH PRE-CLOSING TAX PERIOD" shall have the meaning set forth in Section 9.2(a).

"ARCH'S RETIREMENT PLAN" shall have the meaning set forth in Section 8.3.

"ARCH'S SAVINGS PLAN" shall have the meaning set forth in Section 8.4.

"ARK" shall mean Ark Land Company, a Delaware corporation and wholly-owned subsidiary of Arch.

"ARCO" shall have the meaning set forth in the Preamble.

"ARCO ACCUMULATION AND SAVINGS PLANS" shall have the meaning set forth in Section 8.4.

"ARCO DISCLOSURE SCHEDULE" shall mean the document attached hereto and titled as such.

"ARCO INDEMNITEES" shall mean ARCO and the ARCO Parties.

"ARCO PARTIES" shall mean SL and TBCC.

"ARCO RETIREMENT PLAN" shall have the meaning set forth in Section 8.3.

"ARCO UINTA" shall mean ARCO Uinta Coal Company, a Delaware corporation.

"ASSIGNMENT AND ASSUMPTION AGREEMENT" shall have the meaning set forth in Section 10.8(e).

"AUS" means a Delaware limited liability company to be formed by ARCO Uinta.

"AUDITED FINANCIAL STATEMENTS" shall have the meaning set forth in Section 2.6(a).

"AUTHORITY" shall mean any government or governmental or regulatory body thereof, or political subdivision thereof, whether federal (or any commonwealth, territory or possession thereof), state, local or foreign, or any agency, department or instrumentality thereof, or any court or arbitrator (public or private).

"BANKRUPTCY" shall mean (i) the commencement of any voluntary or involuntary bankruptcy case by or against a Person as debtor under Title 11 of the United States Code or any successor or equivalent statute, (ii) the insolvency or the inability of a Person to satisfy its obligations as they become due or (iii) the general assignment by any Person for the benefit of creditors under state Law.

"BLACK LUNG DISCOUNT RATE" shall mean seven percent (7%) per annum.

"CERCLA" shall mean the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended by the Superfund Amendments and Reauthorization Act of 1986).

"CFC" shall mean Canyon Fuel Company, LLC, a Delaware limited liability company owned 65% by ARCO Uinta.

"CFC AGREEMENT" shall mean the Second Amended and Restated Limited Liability Company Agreement of Canyon Fuel Company LLC, dated as of January 1, 1997, as in effect on the Closing Date.

"CH20" shall mean CH-Twenty, Inc., a Delaware corporation.

"CARBON BASIN RESERVES" shall have the meaning set forth in Section 3.2(c).

"CASH CONTRIBUTION" shall have the meaning set forth in Section 2.2.

"CATEGORY 4 (10-YEAR) EQUIPMENT" shall have the meaning set forth in the Little Thunder Lease.

"CLOSING" shall have the meaning set forth in Section 3.3.

"CLOSING DATE" shall have the meaning set forth in Section 3.3.

"CLOSING DATE BALANCE SHEET" shall mean the unaudited, pro forma, combined, consolidated balance sheet of TBCC (including the LTL Property and the state coal leases to be owned by SL) as of the close of business on the Closing Date, which shall be derived from the combined, consolidated unaudited balance sheet of ACC as of the same date, prepared as though the Proposed Transactions had not been consummated. The Closing Date Balance Sheet shall be prepared on a basis consistent with the Interim Date Balance Sheet.

"CLOSING DATE MEMBERS' EQUITY" shall have the meaning set forth in Section 2.6(b).

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

"COMBINED LOSSES" shall have the meaning set forth in Section 10.3(a).

"COMPANIES" shall mean CFC, AUS, TBCC, SL and MCC LLC.

"COMPANY" shall have the meaning set forth in the Preamble.

"COMPANY AGREEMENT" shall mean that certain Limited Liability Company Agreement of Arch Western Resources LLC, to be dated as of the Closing Date between Acquisition Corp. and Delta Housing substantially in the form attached hereto as Exhibit 3.4(c)(1).

"COMPANY DEBT" shall have the meaning set forth in Section 3.4(e).

"CONDITIONAL AGREEMENT" shall have the meaning set forth in Section 10.8(e).

"CONTRIBUTED ARCH INTERESTS" shall have the meaning set forth in Section 2.1(a).

"CONTRIBUTED ARCO INTERESTS" shall have the meaning set forth in Section 2.1(c).

"CONTRIBUTED LLCS" shall mean TBCC, SL, AUS, MCC LLC, CFC and AOW as the context may require.

"CONTRIBUTED MEMBERSHIP INTERESTS" shall mean the Contributed Arch Interests and the Contributed ARCO Interests.

"CONTRIBUTING MEMBERS" shall mean ARCO, Delta Housing and Acquisition Corp., each of which may be referred to individually as a "Contributing Member," as the context may require.

"DELTA HOUSING" shall have the meaning set forth in the Preamble.

"DESIGNATED ARCO REPRESENTATIVE" shall mean an employee of Delta Housing or an Affiliate designated by Delta Housing from time to time. The initial Designated ARCO Representative will be designated at Closing. Delta Housing may change such designation by giving Acquisition Corp. notice.

"DISAGREEMENT NOTICE" shall have the meaning set forth in Section 2.6(c).

"DISCLOSURE SCHEDULE" shall mean the ARCO Disclosure Schedule or the Arch Disclosure Schedule, as the context requires.

"EFFECTIVE DATE" shall have the meaning set forth in the Preamble.

"EMPLOYEES" shall have the meaning set forth in Section 4.17(a).

"ENVIRONMENTAL LAWS" shall mean Laws aimed at abatement of pollution; protection of the environment; ensuring public safety from environmental hazards; management, storage or control of Hazardous Materials; releases or threatened releases of Hazardous Materials into the environment, including, ambient air, surface water and groundwater; and all other Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transportation of Hazardous Materials, including CERCLA, Clean Air Act, Clean Water Act, Solid Wastes Disposal Act (as amended by the Resource Conservation and Recovery Act), Toxic

Substances Control Act, Emergency Planning and Community Right to Know Act, Surface Mining Control and Reclamation Act, Mine Safety and Health Act, Safe Drinking Water Act and any regulations issued under each of such statutes, and any state or local counterparts, and any other Laws to the extent relating to reclamation of lands affected by mining.

"ENVIRONMENTAL LIABILITIES" shall mean any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursements or expenses (including attorneys' fees and costs, experts' fees and costs and consultants' fees and costs) of any kind or nature (including those absolute, accrued or contingent, unknown or otherwise and including, further, liability for study, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, containment costs, restoration costs, corrective action costs or business losses) arising out of, based on, resulting from or alleging (i) the presence, release, threatened release, discharge or emission into the environment of any Hazardous Materials existing or arising on, beneath or above any property, including claims with respect to other properties based upon claims relating to migration or emanation (or threatened migration or emanation) of Hazardous Materials from the property to such other properties, whether or not immediately adjacent to the property, (ii) the violation of any Environmental Laws involving any property, including claims with respect to other properties based upon claims relating to migration or emanation (or threatened migration or emanation) of Hazardous Materials from the property to such other properties, whether or not immediately adjacent to the property, and (iii) natural resources damages, penalties or fines, or property damages or personal injuries claimed by private (non-governmental) parties.

"ERISA" shall have the meaning set forth in Section 4.17(a).

"FINAL JUDGMENT" shall mean a judgment by a court of competent jurisdiction or a binding award in arbitration from which no further appeal or review may be taken, a settlement or a confession of judgment.

"FTC" shall have the meaning set forth in Section 7.4.

"GAAP" shall mean generally accepted accounting principles in effect in the United States, from time to time.

"HAZARDOUS MATERIALS" shall mean any waste or other substance that is listed, defined, designated or classified as, or otherwise determined to be, hazardous, radioactive or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor, polychlorinated biphenyls and asbestos or asbestos-containing materials.

"HSR ACT" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"INDEMNIFIED PARTY" shall have the meaning set forth in Section 10.6(a).

"INDEMNIFYING PARTY" shall have the meaning set forth in Section 10.6(a).

"INDEPENDENT ACCOUNTANTS" shall have the meaning set forth in Section 2.6(d).

"INTERIM DATE" shall mean December 31, 1997.

"INTERIM DATE BALANCE SHEET" shall mean the unaudited, pro forma, combined, consolidated balance sheet for TBCC (including the LTL Property and the state coal leases to be owned by SL) which shall be derived from and consistent with the combined, consolidated audited balance sheet of ACC as of the close of business on the Interim Date. The Interim Date Balance Sheet shall be prepared on a basis consistent with the Preliminary Interim Date Balance Sheet and, except for changes with respect to corporate adjustments and income tax calculations and the effect thereof on total member's equity in TBCC, will be substantially identical to the Preliminary Interim Date Balance Sheet.

"INTERIM DATE MEMBERS' EQUITY" shall have the meaning set forth in Section 2.6(b).

"KNOWLEDGE" shall mean the actual knowledge of the individuals identified on Exhibit 1.1, without any duty of inquiry.

"LAWS" shall mean all existing Federal, state and local laws (statutory or common), rules, ordinances, regulations, grants, leases, orders, directives, judgments, decrees and other governmental restrictions of any kind or nature, including permits and other similar requirements, whether legislative, municipal, administrative or judicial in nature.

"LAXT" shall mean L. A. Export Terminal, a Delaware corporation.

"LITTLE THUNDER LEASE" shall mean that certain Master Lease dated August 8, 1997 between LTLC and TBCC, as amended by Amendment to Master Lease dated January 27, 1998.

"LOSSES" shall have the meaning set forth in Section 10.3(a).

"LTLC" shall mean Little Thunder Leasing Company, a Delaware corporation.

"LTL PROPERTY" shall mean all of the property and equipment subject to the Little Thunder Lease, except for the Category 4 (10-Year) Equipment.

"MATERIAL ADVERSE EFFECT" (i) as used in Sections 3.4(m), 7.17, 11.1(a) and 12.1(b), shall mean a breach or breaches of the representations and warranties of ARCO and/or Delta Housing under this Agreement and ARCO and/or ARCO Uinta under the Purchase Agreement that in the aggregate, if the Proposed Transactions were consummated, would give rise to indemnification obligations owed to Arch Indemnitees by ARCO and/or Delta Housing under this Agreement and ARCO and/or ARCO Uinta under the Purchase Agreement (without regard to any applicable limits of Section 10.3 of this Agreement or Section 9.3 of the Purchase Agreement), together totaling more than One Hundred and Ten Million Dollars, and (ii) as used in Section 11.1(g), shall mean (without duplication) the sum of (a) aggregate reductions in the actual value of the business of the ARCO Parties, on a combined, consolidated basis and taken as a whole, resulting

from any events or occurrences referred to in Section 11.1(g), and (b) a breach or breaches of the representations and warranties of ARCO and/or Delta Housing under this Agreement and ARCO and/or ARCO Uinta under the Purchase Agreement that in the aggregate, if the Proposed Transactions were consummated, would give rise to indemnification obligations owed to Arch Indemnitees by ARCO and/or Delta Housing under this Agreement and ARCO and ARCO Uinta under the Purchase Agreement (without regard to any applicable limits in Section 10.3 of this Agreement or Section 9.3 of the Purchase Agreement), together totaling more than One Hundred and Ten Million Dollars.

"MCC" shall mean Mountain Coal Company, a Delaware corporation.

"MCC LLC" shall mean Mountain Coal Company L.L.C., a Delaware limited liability company.

"OTHER LIABILITIES" shall have the meaning set forth in Section 7.16(b).

"OTHER LOSSES" shall have the meaning set forth in Section 10.3(a).

"OTHER PROPERTIES" shall have the meaning set forth in Section 7.15.

"PBGC" shall have the meaning set forth in Section 4.17(e).

"PARTICIPANTS" shall have the meaning set forth in Section 8.5.

"PERFORMANCE BONDS" shall have the meaning set forth in Section 7.10.

"PERSON" shall mean and include, any individual, partnership, joint venture, corporation, limited liability company, trust, joint-stock company, unincorporated entity or association, organization or other legal entity.

"PLANS" shall have the meaning set forth in Section 4.17(a).

"POST CLOSING SURETY BOND" shall have the meaning set forth in Section 7.10.

"PRE-CLOSING TAX PERIOD" shall have the meaning set forth in Section 9.1(a).

"PRELIMINARY INTERIM DATE BALANCE SHEET" shall mean the document attached as Exhibit 2.6.

"PRESENT VALUE BENEFIT" shall mean the present value (based on a discount rate equal to the short-term applicable federal rate as determined under Section 1274(d) of the Code at the time of determination, and assuming that the Indemnified Party will be liable for income taxes at all relevant times at the maximum marginal rates) of any income tax benefit.

"PROPERTIES" shall have the meaning set forth in Section 7.14.

"PROPOSED TRANSACTIONS" shall have the meaning set forth in Section 3.3.

"PURCHASE AGREEMENT" shall mean the Purchase and Sale Agreement by and among ARCO, ARCO Uinta, Arch and Acquisition Corp. dated as of the date of this Agreement.

"PURCHASE PRICE" shall have the meaning set forth in Section 2.2 of the Purchase Agreement.

"REPORT" shall have the meaning set forth in Section 2.6(d).

"SL" shall mean State Leases LLC, a Delaware limited liability company.

"SECURITIES ACT" shall mean the United States Securities Act of 1933, as amended.

"SPECIAL DISTRIBUTION" shall have the meaning set forth in Section 3.4(f).

"STATE COAL LEASES" shall mean the ARCO state coal leases identified on the ARCO Disclosure Schedule.

"STATEMENT" shall have the meaning set forth in Section 2.6(b).

"SUBSTITUTE SURETY BOND" shall have the meaning set forth in Section 7.10.

"SURETY BOND" shall have the meaning set forth in Section 7.10.

"TBCC" shall mean Thunder Basin Coal Company L.L.C., a Delaware limited liability company.

"TAX" or "TAXES" shall mean any tax or taxes, similar charge, fee, impost, levy or other assessment (including income taxes, severance taxes, excise taxes, sales taxes, franchise taxes, real estate taxes, Transfer Taxes, transfer gain taxes, value added taxes, use taxes, ad valorem taxes, withholding taxes, payroll taxes, or minimum taxes), together with any related liabilities, penalties, fines, additions to tax or interest imposed by the United States or any state, county, local or foreign government, agency or taxing authority, or any subdivision thereof.

"TAX RETURN" or "TAX RETURNS" shall mean all returns, reports, estimates and information statements relating to, or required to be filed in connection with, any Taxes pursuant to the statutes, rules and regulations of the United States or any state, county, local or foreign government subdivision, agency or taxing authority.

"TAX SHARING AGREEMENT" shall mean the Tax Sharing Agreement by and among Arch, Acquisition Corp., Delta Housing and the Company, to be dated as of the Closing Date substantially in the form attached hereto as Exhibit 3.4(c)(2).

"THUNDER CLOUD FEDERAL LEASE TRACT" shall mean that proposed federal coal lease of the tract of land located in the State of Wyoming known as the "Thunder Cloud Tract."

"TRANSFER TAXES" shall have the meaning set forth in Section 2.5.

"TRANSFEREES" shall have the meaning set forth in Section 8.1(a).

[Confidential Treatment Requested]*

[Confidential Treatment Requested]*

"UNAUDITED FINANCIAL STATEMENTS" shall have the meaning set forth in Section 4.20.

"VEBA" shall have the meaning set forth in Section 4.17(a).

1.2 CROSS REFERENCES, INTERPRETATION. References to "Articles" refer to Articles of this Agreement. References to "Sections" refer to Sections and subsections of this Agreement. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa. Whenever the word "including" is used in this Agreement it shall be read to mean "including without limitation." The headings in this Agreement are inserted for convenience only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

ARTICLE 2
CONTRIBUTIONS TO THE COMPANY

2.1 CONTRIBUTION OF CONTRIBUTED MEMBERSHIP INTERESTS.

(a) On the terms and subject to the conditions set forth in this Agreement, Acquisition Corp. shall cause its membership interests in AUS, CFC, MCC LLC and AOW (collectively, the "CONTRIBUTED ARCH INTERESTS") to be contributed, conveyed, transferred, assigned and delivered to the Company, and the Company shall accept and acquire the Contributed Arch Interests in exchange for 991/2% common membership interest of Acquisition Corp. in the Company.

(b) The contribution, conveyance, transfer and assignment of the Contributed Arch Interests contemplated hereby shall be made by the delivery by Acquisition Corp. of a duly executed assignment transferring the Contributed Arch Interests to the Company.

(c) On the terms and subject to the conditions set forth in this Agreement, (i) ARCO shall cause its interest in TBCC, and (ii) Delta Housing shall cause its interest in SL (collectively the "CONTRIBUTED ARCO INTERESTS") to be contributed, conveyed, transferred, assigned and delivered to the Company, and the Company shall accept and acquire, the Contributed ARCO Interests in exchange for 1/2% common and 1/2% preferred membership interests in the Company.

(d) The contribution, conveyance, transfer and assignment of the Contributed ARCO Interests contemplated hereby shall be made by the delivery by ARCO, with respect to TBCC, of a duly executed assignment transferring the TBCC membership interest, and by the delivery by Delta Housing, with respect to SL, of a duly executed assignment transferring the SL membership interest, in each case to the Company. The assignment of ARCO's membership interest in the Company to Delta Housing contemplated hereby shall be made by the delivery by ARCO of a duly executed assignment transferring the membership interest in the Company to Delta Housing.

2.2 CASH CONTRIBUTION. Acquisition Corp. shall also contribute $25,000,000 in cash to the Company (the "CASH CONTRIBUTION").

2.3 MEMBERSHIP INTERESTS. In consideration of the respective contributions by the Contributing Members of the Contributed Membership Interests and the Cash Contribution to the Company as described in Sections 2.1 and 2.2, and in reliance upon the respective representations, warranties and covenants made herein by each of the Contributing Members, the Company agrees to grant to the Contributing Members all right, title and interest of a member in the Company pursuant and subject to the terms of this Agreement and the Company Agreement. The initial membership interest of each of the Contributing Members in the Company after giving effect to all the transactions contemplated hereunder and under the Purchase Agreement shall be as set forth in the Company Agreement.

2.4 FURTHER ASSURANCES.

(a) On and from time to time after the Closing Date, the Contributing Members and their respective Affiliates will execute and deliver, or cause to be executed and delivered, such other instruments of conveyance, assignment, transfer and delivery as the Company may reasonably request in order to fulfill and implement the terms of this Agreement, to vest in the Company the membership interests in the Contributed LLCs, or to otherwise enable the Company to realize the benefits intended to be afforded hereby.

(b) On and from time to time after the Closing Date, the Company will execute and deliver, or cause the Contributed LLCs to execute and deliver, such other instruments of assumption, conveyance, assignment, transfer, power of attorney or assurance as the Contributing Members may reasonably request in order to enable the Contributing Members to realize the benefits intended to be afforded hereby.

2.5 TRANSFER TAXES. The Company shall be solely liable for and shall pay all applicable sales, transfer, use, stamp, conveyance, value-added, real property transfer, recording, stock transfer and other similar taxes, if any, together with all recording or filing fees, notarial fees and other similar costs of Closing, that may be imposed upon, or payable, collectible or incurred in connection with the transfer of the Contributed Membership Interests to the Company (the "TRANSFER TAXES"). The Company shall indemnify and hold harmless ARCO, Delta Housing or their Affiliates with respect to all Transfer Taxes.

2.6 ADJUSTMENT TO SPECIAL DISTRIBUTION.

(a) ARCO shall deliver to Acquisition Corp. as soon as available, but in no event later than 30 days after the Effective Date, the consolidated balance sheet of ACC at December 31, 1997, and 1996, and its consolidated statements of income, of equity investment and of cash flows for each of the three years in the period ended December 31, 1997, together with the related notes thereto and the respective audit opinion thereon of the independent auditors of ACC (the "AUDITED FINANCIAL STATEMENTS"). Within 30 days after the Effective Date, ARCO shall prepare and deliver to Acquisition Corp. a copy of the Interim Date Balance Sheet. Within 90 days after the Closing Date, ARCO shall prepare and deliver to the Company the Closing Date Balance Sheet.

(b) The Special Distribution shall be adjusted (the "ADJUSTMENT") upwards or downwards on a dollar-for-dollar basis for the amount by which total members' equity as reflected on the Closing Date Balance Sheet (the "CLOSING DATE MEMBERS' EQUITY") exceeds or is less than total members' equity as reflected on the Interim Date Balance Sheet (the "INTERIM DATE MEMBERS' EQUITY"). For purposes of the preceding sentence, the change in total members' equity will include the net change in intercompany accounts. During the period from the Interim Date through the Closing Date, intercompany accounts will, in part, (i) increase by contributions of cash for operating costs and capital by ARCO, Delta Housing or any of their Affiliates, and (ii) decrease by cash distributions to ARCO, Delta Housing or any of their Affiliates. In determining the Adjustment, any change in deferred tax asset or deferred tax liability from that reflected on the Interim Date Balance Sheet and the corresponding effect on the Closing Date Members' Equity, except for provisions made in the ordinary course related to income earned since the Interim Date, shall be ignored. If the Closing Date Members' Equity exceeds the Interim Date Members' Equity, the adjustment to the Special Distribution shall be effected by a payment from Acquisition Corp. to Delta Housing of an amount equal to such excess as set forth below. If the Interim Date Members' Equity exceeds the Closing Date Members' Equity, the adjustment to the Special Distribution shall be effected by a payment from Delta Housing to Acquisition Corp. of an amount equal to such excess as set forth below. ARCO shall prepare and deliver to Acquisition Corp., simultaneously with the delivery of the Closing Date Balance Sheet, a statement (the "STATEMENT") setting forth in reasonable detail ARCO's calculation of Closing Date Members' Equity. A payment under this Section 2.6 shall for tax purposes be treated as a contribution to the Company by the member making the payment and a distribution from the Company to the member receiving it unless otherwise required by law. Any payment received by either member is agreed to be a reimbursement of capital expenditures under Section 1.707-4(d) of the Treasury Regulations. No payment or receipt under this Section 2.6 shall have a net effect on the capital accounts or percentage interests of the members in the Company.

(c) If Acquisition Corp. disagrees with the Closing Date Balance Sheet or the Statement, it shall, within 30 days after the receipt of the Closing Date Balance Sheet and the Statement, deliver a notice to ARCO (the "DISAGREEMENT NOTICE"), setting forth its calculation of the Adjustment and specifying, in reasonable detail, those items or amounts in the Closing Date Balance Sheet and/or the Statement as to which Acquisition Corp. disagrees and the reasons for such disagreement. Acquisition Corp. shall be deemed to have agreed with all items and amounts contained in the Closing Date Balance Sheet and the Statement other than those

specified in a timely Disagreement Notice. If Acquisition Corp. does not deliver a Disagreement Notice to ARCO within such 30-day period, Acquisition Corp. shall be deemed to have accepted the Closing Date Balance Sheet and the Statement, whereupon the Closing Date Balance Sheet and the Statement shall become final and binding.

(d) If a Disagreement Notice is timely delivered to ARCO pursuant to this Section 2.6, the parties shall use their good faith efforts to reach agreement on the disputed items or amounts in order to determine the Adjustment, which in no event shall be more favorable to ARCO than reflected in the Statement nor more favorable to Acquisition Corp. than shown in the calculations delivered by Acquisition Corp. pursuant to the Disagreement Notice. If the parties do not resolve all disputed items or amounts within ten business days after delivery of the Disagreement Notice, this Agreement and the disputed items and amounts will be submitted to an independent nationally recognized accounting firm without any current material financial relationship to either Acquisition Corp. or ARCO, or their respective Affiliates (the "INDEPENDENT ACCOUNTANTS"), as mutually selected by ARCO and Acquisition Corp., or if ARCO and Acquisition Corp. cannot agree, as recommended by the independent accountants regularly employed to audit ARCO's and Acquisition Corp.'s financial statements, for determination of the appropriate Adjustment pursuant to this Section 2.6. The written report of the Independent Accountants (the "REPORT") shall be delivered to ARCO and Acquisition Corp. promptly, but in no event later than 30 days after such disputed items are submitted to the Independent Accountants, and shall be final, conclusive and binding upon the parties. The procedures for resolution of disputes concerning the Closing Date Balance Sheet and the Statement set forth in Sections 2.6(c) and 2.6(d) shall be final and exclusive of any other litigation, proceeding, contest, appeal or arbitration in relation thereto, so that no party shall be entitled to subject any claim, controversy or dispute with respect to the foregoing to arbitration or to any court or tribunal. The fees and expenses of the Independent Accountants shall be borne equally by ARCO and Acquisition Corp.

(e) Within five business days after the final determination of the Adjustment, Acquisition Corp. shall pay ARCO or ARCO shall pay Acquisition Corp., as the case may be, a sum of money equal to the Adjustment, plus interest at the Agreed Rate from the Closing Date to the date the payment is made. Any amount payable pursuant to this Section 2.6(e) will be made in immediately available funds to an account or accounts designated by the party receiving such payment.

(f) From the Closing Date until the final determination of the Adjustment, ARCO or Delta Housing, including their officers, employees, agents and representatives, and the Independent Accountants, shall have access to the ARCO Parties and their respective books, records and employees who are responsible for financial matters in order to assist in preparing the Closing Date Balance Sheet and the Statement and in determining the Adjustment. Acquisition Corp. shall provide and shall cause the ARCO Parties to provide any assistance requested by Delta Housing in connection with the foregoing.

2.7 LITTLE THUNDER LEASE. Arch, Acquisition Corp. and the Company agree not to take any action, or cause TBCC to take any action, to terminate the Little Thunder Lease with respect

to any Category (as defined in the Little Thunder Lease) of LTL Property prior to one year following the Closing.

ARTICLE 3
CLOSING

3.1 ARCO PRE-CLOSING ACTIONS. Prior to the Closing, pursuant to instruments and documents reasonably satisfactory to Arch:

(a) ARCO shall have contributed all the issued and outstanding stock of MCC to ARCO Uinta and MCC shall have merged with and into MCC LLC.

(b) LTLC shall have transferred all of its assets to ARCO in exchange for ARCO stock. LTLC shall be liquidated or merged into CH20.

(c) At the direction of ARCO, LTLC shall transfer to TBCC the Category 4 (10-year) Equipment and ARCO's rights in such equipment, subject to the terms of the Little Thunder Lease. The effect of such transfer will be to terminate the Little Thunder Lease with respect to such Category 4 (10-year) Equipment.

(d) ACT shall have merged into ARCO and the stock of LAXT owned by ACT shall have transferred to ARCO by operation of Law.

(e) ARCO shall have formed AUS and ARCO shall have contributed the headquarters assets identified on the ARCO Disclosure Schedule and all ARCO's shares of the issued and outstanding stock in LAXT to AUS.

(f) ARCO shall transfer its membership interest in AUS to ARCO Uinta.

(g) ARCO shall have assigned its rights in the LTL Property (subject to the Little Thunder Lease) to Delta Housing.

(h) ARCO shall have formed SL and ARCO shall have contributed the State Coal Leases and other real and personal property relating to the coal business to SL.

(i) ARCO shall have transferred its membership interest in SL to Delta Housing.

(j) ARCO and ARCO Uinta shall have executed and delivered the Purchase Agreement.

3.2 ARCH PRE-CLOSING ACTIONS. Prior to or concurrently with the Closing, pursuant to instruments and documents reasonably satisfactory to ARCO:

(a) Arch and Acquisition Corp. shall have executed and delivered the Purchase Agreement.

(b) Arch shall have caused Arch of Wyoming to be merged with and into AOW.

(c) The Carbon Basin Reserves as described on the Arch Disclosure Schedule ("CARBON BASIN Reserves") shall have been contributed by Ark to Acquisition Corp.

(d) All the issued and outstanding common stock of Acquisition Corp. shall have been distributed by Ark to Arch.

(e) The Carbon Basin Reserves shall have been contributed by Acquisition Corp. to AOW in exchange for the membership interests in AOW.

3.3 CLOSING DATE. The closing ("CLOSING") of the transactions contemplated herein (the "PROPOSED TRANSACTIONS"), as well as the simultaneous Closing of the transactions contemplated in the Purchase Agreement, shall take place in New York, New York, at a mutually agreeable site, at 10:00 A.M., local time, on the later of (a) 45 days after the date hereof, or (b) the third business day after the satisfaction of all conditions to Closing set forth in Sections 11.1 and 11.2 or at such other place or time as the parties may mutually agree. The date upon which the Closing occurs is referred to in this Agreement as the "CLOSING DATE."

3.4 CLOSING ACTIONS. At the Closing ARCO and Arch shall cause the following to occur:

(a) CASH CONTRIBUTION. Acquisition Corp. shall make the Cash Contribution;

(b) ASSIGNMENT OF MEMBERSHIP INTEREST. ARCO shall duly execute and deliver assignments of its membership interest in the Company to Delta Housing;

(c) THE COMPANY AGREEMENT AND TAX SHARING AGREEMENT. Acquisition Corp. and Delta Housing shall execute and deliver the Company Agreement substantially in the form of Exhibit 3.4 and Arch, Acquisition Corp. Delta Housing and the Company shall execute and deliver the Tax Sharing Agreement;

(d) FINANCING DOCUMENTS. The Company shall, and shall cause its respective Affiliates to, execute and deliver all agreements, undertakings and actions required to be delivered by them in connection with the issuance of the Company Debt;

(e) COMPANY DEBT. The Company shall incur indebtedness of Six Hundred Seventy-Five Million Dollars ($675,000,000) (the "COMPANY DEBT");

(f) SPECIAL DISTRIBUTION TO DELTA HOUSING. Contemporaneously with the Closing, the Company and the other parties to the Company Agreement shall take all steps necessary to cause the Company to make a special distribution to Delta Housing in the amount of Seven Hundred Million Dollars ($700,000,000) (the "SPECIAL DISTRIBUTION");

(g) ASSIGNMENT OF INDEMNITY PAYMENTS. Arch and Acquisition Corp. shall assign to the Company their respective rights to any indemnity payment that either Arch or Acquisition

Corp. may be entitled to receive pursuant to the Purchase Agreement except to the extent that such payments are made (i) in order to make Arch or Acquisition Corp. whole for out of pocket costs or (ii) with respect to assets purchased from ARCO Uinta pursuant to the Purchase Agreement that Acquisition Corp. is not contributing to the Company;

(h) MEMBERSHIP INTERESTS AFTER SPECIAL DISTRIBUTION. Upon the completion of the Special Distribution and consummation of the other transactions contemplated hereby, the membership interests of Acquisition Corp. and Delta Housing in the Company shall be as set forth in the Company Agreement;

(i) ARCO BOARD RESOLUTIONS. ARCO shall deliver a copy, certified as of the Closing Date by ARCO's and Delta Housing's Secretary or Assistant Secretary, of the resolutions duly adopted by the Boards of Directors of ARCO, Delta Housing, and LTLC authorizing the transactions contemplated by this Agreement;

(j) ARCO CERTIFICATES OF GOOD STANDING. ARCO shall deliver short form certificates of existence and/or good standing for ARCO, Delta Housing, SL and TBCC in their respective jurisdictions of incorporation or formation, as certified as of a recent date by the Secretary of State or other appropriate authority of such jurisdictions;

(k) ARCO OPINION OF COUNSEL. ARCO and Delta Housing shall deliver the opinion of their counsel required by Section 11.1(d);

(l) ARCO INCUMBENCY CERTIFICATES. ARCO shall deliver a certificate of the Secretary or an Assistant Secretary of ARCO and Delta Housing, certifying as of the Closing Date as to the incumbency and signatures of the officer(s) or representatives of ARCO and Delta Housing authorized to sign this Agreement and the other documents to be delivered hereunder or pursuant hereto, together with evidence of the incumbency of such Secretary or Assistant Secretary;

(m) ARCO AND DELTA HOUSING OFFICER CERTIFICATES. ARCO and Delta Housing shall each deliver a certificate dated the Closing Date stating that the representations and warranties of ARCO and Delta Housing set forth herein, including those with respect to TBCC, remain true and correct in all respects on and as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specified date, which shall be true and correct in all respects as of such date), except for any breach of such representations and warranties that would not individually or in the aggregate have a Material Adverse Effect, and that all covenants and conditions to be complied with and performed by ARCO and/or Delta Housing, as the case may be, on or prior to the Closing Date, including notifications under Section 7.3 have been substantially complied with or performed;

(n) ARCH BOARD RESOLUTIONS. Arch shall deliver a copy, certified as of the Closing Date by Arch's, Acquisition Corp.'s, Ark's and Arch of Wyoming's Secretary or Assistant Secretary, of the resolutions duly adopted by the Boards of Directors of Arch, Acquisition Corp., Ark and Arch of Wyoming authorizing the transactions contemplated by this Agreement;

(o) ARCH CERTIFICATES OF GOOD STANDING. Arch shall deliver a current short form certificate of good standing for Arch, Acquisition Corp., Ark and Arch of Wyoming in their respective jurisdictions of incorporation, as certified as of a recent date by the Secretary of State or other appropriate authority of such jurisdiction;

(p) ARCH OPINION OF COUNSEL. Arch and Acquisition Corp. shall deliver the opinion of their counsel required by Section 11.2(d);

(q) ARCH INCUMBENCY CERTIFICATES. Arch shall deliver a certificate of the Secretary or Assistant Secretary of Arch, Acquisition Corp., Ark and Arch of Wyoming certifying as of the Closing Date as to the incumbency and signatures of the officer(s) of Arch and Acquisition Corp. authorized to sign this Agreement and the other documents to be delivered hereunder or pursuant hereto, together with evidence of the incumbency of such Secretary or Assistant Secretary; and

(r) ARCH OFFICER CERTIFICATE. Arch shall deliver a certificate dated the Closing Date of an officer of Arch stating that the representations and warranties of Arch and Acquisition Corp. set forth herein, remain true and correct in all material respects on and as of the Closing Date as if made on and as of such date (except for representations and warranties made as of a specified date, which shall be true and correct in all material respects as of such date) and that all covenants and conditions to be complied with and performed by Arch and/or Acquisition Corp. on or prior to the Closing Date have been substantially complied with and performed.

3.5 SIMULTANEOUS TRANSACTIONS. All of the transactions and deliveries identified in this Article 3 shall be deemed to occur simultaneously on the Closing Date, and no one transaction shall be deemed completed until all are completed.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF ARCO AND DELTA HOUSING

ARCO and Delta Housing represent and warrant, jointly and severally, to the Company as of the Effective Date (or such other date as is specified therein), as follows:

4.1 ORGANIZATION AND GOOD STANDING. ARCO and Delta Housing are corporations duly incorporated, validly existing and in good standing under the laws of their state of incorporation.

4.2 AUTHORITY. ARCO and Delta Housing have full corporate power and authority to enter into this Agreement and to perform their respective obligations hereunder. This Agreement constitutes a valid and binding obligation of each of ARCO and Delta Housing, enforceable against ARCO and Delta Housing in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

4.3 NO VIOLATIONS. Except as set forth in Section 4.3 of the Disclosure Schedule, the execution and delivery of this Agreement by each of ARCO and Delta Housing do not, and the

consummation of the transactions contemplated hereby will not, (i) violate any provisions of the certificate of incorporation or bylaws of ARCO or Delta Housing or of the limited liability company agreement of TBCC or, as of the Closing, the limited liability company agreement of SL, (ii) result in the breach of, or constitute a default under, any material agreement or other material instrument to which Delta Housing, TBCC or SL is a party or to which any of their respective properties or assets are bound, (iii) violate any statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award applicable to ARCO, Delta Housing, TBCC, SL or their respective properties or assets, or (iv) constitute an event that, with notice, lapse of time or both, would result in any such violation, breach or default.

4.4 APPROVALS, CONSENTS AND OTHER ACTIONS. Except (i) with respect to the filings required under the HSR Act, (ii) as contemplated by this Agreement, or (iii) as set forth in Section 4.4 of the Disclosure Schedule, no consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any court, administrative agency, commission or other governmental authority or instrumentality, or any third party is required to be made or obtained by or with respect to ARCO or Delta Housing in connection with the execution, delivery and performance of this Agreement by ARCO or Delta Housing.

4.5 FORMATION AND GOOD STANDING OF TBCC AND SL. TBCC is, and, as of the Closing Date, SL shall be, a limited liability company duly organized, validly existing and in good standing under the laws of their states of formation.

4.6 TITLE OF THE MEMBERSHIP INTERESTS. ARCO and Delta Housing hold or will hold of record and own or will own beneficially, and will transfer or cause to be transferred to the Company on the Closing Date, the Contributed ARCO Interests, and, upon delivery to the Company at the Closing of assignment documents, and the registration of the transfer of the Contributed ARCO Interests on the books of the ARCO Parties will transfer to the Company the Contributed Interests free and clear of any security interests, pledges, liens and encumbrances, except as set forth in the limited liability company agreements of the ARCO Parties.

4.7 CAPITALIZATION. Section 4.7 of the Disclosure Schedule sets forth a list of the ARCO Parties and their respective jurisdictions of formation and their respective ownership of outstanding membership interests as of the Closing Date. As of the Closing Date, contributed ARCO Interests have been validly issued in accordance with Laws of the applicable jurisdictions and the respective formation agreements and constitute all of the issued and outstanding membership interests of TBCC and SL. Except as set forth in the limited liability company agreements of TBCC and SL and except as set forth in Section 4.7 as of the Closing Date, of the Disclosure Schedule, no ARCO Party has any outstanding securities, subscriptions, options or other agreements or commitments obligating it to issue additional membership interests, or any other securities.

4.8 REAL PROPERTY. Section 4.8 of the Disclosure Schedule sets forth, as of the Closing Date, a list of all material real property, leaseholds, water rights and other material interests in real property or water held by the ARCO Parties. Except as set forth in Section 4.8 of the Disclosure Schedule, each of the ARCO Parties will hold, as of the Closing Date, an interest in the real property described in Section 4.8 of the Disclosure Schedule sufficient to permit each of

the ARCO Parties to operate its business in the ordinary course and consistent with past practice, according to the terms of the instrument, conveyance or document creating such interest, free and clear of all liens, encumbrances, equities, claims, covenants, conditions, reservations, restrictions, easements, rights of way and other agreements, except for (a) liens for Taxes not yet due and payable, or that may hereafter be paid without penalty, or that are being contested in good faith by appropriate proceedings or that are listed or described in the Disclosure Schedule, (b) liens in favor of vendors, carriers, warehousemen, repairmen, mechanics, workmen and materialmen and construction or similar liens arising by operation of law or in the ordinary course of business in respect of obligations that are not yet due or that are being contested in good faith by appropriate proceedings, (c) liens to be released at or prior to the Closing, (d) rights reserved to or vested in any Federal, state or local governmental body, authority or agency to control or regulate any such real property interests in any manner, and all Laws, (e) easements, reservations, rights-of-way, restrictions, covenants, conditions and other similar encumbrances, whether of record or apparent on the premises (including road, highway, pipeline, railroad and utility easements, and defects in the chain of title) that do not materially and adversely affect the present use of such real property, and (f) other defects and irregularities in title or encumbrances that are not substantial or material in character, amount or extent. Except as set forth in Section 4.8 of the Disclosure Schedule, each of the material leases, subleases, easements, licenses and agreements described in Section 4.8 of the Disclosure Schedule is in full force and effect according to the terms of each respective instrument, and to ARCO's Knowledge, with respect to TBCC, each holder of such leases, subleases, easements, licenses and agreements has complied with all material requirements in connection therewith, and there is not under any such lease, sublease, easement, license or agreement, any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by TBCC or SL.

4.9 BUILDINGS, STRUCTURES AND TANGIBLE PERSONAL PROPERTY. Section 4.9 of the Disclosure Schedule lists all material buildings, structures and improvements and all material items of machinery, equipment and other tangible personal property owned or leased by ARCO, the ARCO Parties or any of their Affiliates as of February 28, 1998, that will be owned or leased by ARCO or any ARCO Party on the Closing Date. Since February 28, 1998, no such assets have been acquired or disposed of except in the ordinary course of business.

4.10 MATERIAL CONTRACTS. Section 4.10 of the Disclosure Schedule lists all material contracts and agreements and all documents evidencing rights of or commitments by any of the ARCO Parties to which any ARCO Party is a party or its property or assets are bound as of the Closing Date. Except as set forth in Section 4.10 of the Disclosure Schedule, each such contract, agreement or document is in full force and effect according to the terms of each respective instrument, and each ARCO Party which is a party to such contracts, agreements and documents has complied with all requirements in connection therewith, and there is not under any such contract, agreement or document any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by an ARCO Party.

4.11 INSURANCE POLICIES. Section 4.11 of the Disclosure Schedule lists all policies of insurance issued by third-party insurers for the 1998 policy period, including amounts of coverage thereof, that are maintained by ARCO for the benefit of the ARCO Parties or by an ARCO Party for which such ARCO Party is named as an insured party, in each case as of the

Closing Date. Except as set forth in Section 4.11 of the Disclosure Schedule, such policies are in full force and effect and all premiums due have been paid.

4.12 TAXES.

(a) Except as set forth in Section 4.12(a) of the Disclosure Schedule, with respect to Tax Returns that relate to taxable periods that end before January 1, 1997, TBCC has filed or caused to be filed with the appropriate local, state, Federal and foreign governmental entities all Tax Returns required to be filed by the ARCO Parties on or prior to the Closing Date (taking into account all extensions of due dates), and has paid or caused to be paid or adequately provided for all Taxes shown thereon as owing.

(b) Except as set forth in Section 4.12(b) of the Disclosure Schedule, with respect to Tax Returns that relate to taxable periods that end on or after January 1, 1997, TBCC has filed or caused to be filed with the appropriate local, state, Federal and foreign governmental entities all Tax Returns required to be filed by TBCC on or prior to the Closing Date (taking into account all extensions of due dates), and has paid or caused to be paid or adequately provided for all Taxes shown thereon as owing. For all taxable periods that begin prior to the Closing Date for which a Tax Return is not due on or prior to the Closing Date (whether or not such taxable period ends on or after the Closing Date), the Closing Date Balance Sheet shall provide an adequate reserve for Taxes to fully pay such Taxes up to and including the Closing Date (as if the Taxable Period ended on the Closing Date).

4.13 LICENSES, PERMITS, AUTHORIZATIONS. Section 4.13 of the Disclosure Schedule lists all of the material licenses, permits (including mining permits and the amount of any bond or other surety for each mining permit), certificates, bonds, consents, rights and other such authorizations issued or granted as of the Closing Date to each of the ARCO Parties by local, state or Federal governmental authorities or agencies. Except as set forth in Section 4.13 of the Disclosure Schedule, each of the licenses, permits, certificates, bonds, consents, rights and other authorizations listed in Section 4.13 of the Disclosure Schedule is in full force and effect according to the material terms of each instrument, each holder of such licenses, permits, certificates, bonds, consents, rights and other authorizations has complied with all material requirements in connection therewith, and there is not under any such licenses, permits, certificates, bonds, consents, rights and other authorizations any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by the ARCO Parties.

4.14 LITIGATION. Except as set forth in Section 4.14 of the Disclosure Schedule, (i) none of the ARCO Parties is a party to any lawsuit, claim or proceeding or, to ARCO's Knowledge, any investigation, and (ii) none of the ARCO Parties are in default under any judgment, order or decree of any court, administrative agency or commission or other governmental authority or instrumentality applicable to them or any of their properties or assets.

4.15 COMPLIANCE WITH LAWS. Except as set forth in Section 4.15 of the Disclosure Schedule, each of the ARCO Parties is in compliance in all material respects with all applicable Laws.

4.16 LABOR MATTERS. Except as set forth in Section 4.16 of the Disclosure Schedule, no ARCO Party is a party to any collective bargaining agreement with any labor union or association, there are no formal negotiations, demands or proposals that are pending or have been recently conducted or made with or by any labor union or association, and there are no pending strikes, work stoppages or material labor disputes involving the ARCO Parties.

4.17 EMPLOYEE BENEFIT PLANS.

(a) Section 4.17 of the Disclosure Schedule sets forth a list of all "employee benefit plans" as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any other pension or retirement, savings, profit sharing, deferred compensation, stock option (including restricted or performance units), severance, vacation, medical, vision, dental, long term disability, life insurance, group accident, occupational death, business travel, long term care, educational assistance, floating holiday, personal business, gainshare, bonus, financial counseling, welfare or sick leave or other employee benefit plan, procedure, policy or practice of any nature as well as any employment, consulting, engagement, or retention agreement or agreements, and any trust or funding mechanism for each plan or arrangement described above (collectively, the "PLANS") covering any employees of TBCC and employees of ARCO whose employment is related primarily to one or more businesses of the ARCO Parties (collectively, "EMPLOYEES"). With respect to each Plan maintained by TBCC, ARCO has delivered to the Company true, correct and complete copies of all documents and summary plan descriptions creating or evidencing any such Plan, and, to the extent applicable, the most recent (i) determination letter and any outstanding request for determination letter for such Plan; (ii) Form 5500 and attached Schedule B (including any related actuarial valuation report) for such Plan; and (iii) ruling letter and any outstanding request for a ruling letter with respect to the tax-exempt status of any Voluntary Employees' Beneficiary Association ("VEBA") as defined in Code Section 501(c)(9).

(b) Except as set forth in Section 4.17 of the Disclosure Schedule, each Plan complies with and has been administered, operated and maintained in compliance with all applicable material provisions of ERISA, the Code and other applicable laws. Except as set forth in Section 4.17 of the Disclosure Schedule, the ARCO Parties have not engaged in a prohibited transaction that would subject it to a material tax imposed under Section 4975 of the Code.

(c) No ARCO Party is or has within the preceding five years been a party to or contributed to any "multi-employer plan," as defined in Section 4001(a)(3) of ERISA. Except as set forth in Section 4.17 of the Disclosure Schedule, no ARCO Party has been a party to or contributed to any such multi-employer plan since September 26, 1980.

(d) Each Plan that is intended to qualify under Code Sections 401(a) and 501(a) is so qualified and has been determined by the Internal Revenue Service to so qualify or has an outstanding determination letter request, and nothing has occurred to cause the loss of the Plan's qualified status since the issuance of the most recent favorable determination letter by the IRS with respect to such Plan.

(e) No accumulated funding deficiency, except for annual minimum contributions which are not yet due, within the meaning of ERISA Section 302 or Code Section 412 has been incurred with respect to any Plan of the ARCO Parties. The ARCO Parties do not have any liability for (i) any lien imposed under ERISA Section 302(f) or Code Section 412(n), (ii) any interest payments required under ERISA Section 302(e) or Code Section 412(m), or (iii) any excise tax imposed by Code Section 4971. The Pension Benefit Guaranty Corporation ("PBGC") has not instituted or threatened a proceeding to terminate any Plan pursuant to Subtitle 1 of Title IV of ERISA. No Plan has been the subject of a reportable event (as defined in ERISA Section 4043) as to which a notice would be required to be filed with the PBGC.

(f) With respect to each Plan, no action, suit, grievance, claim, arbitration or other manner of litigation with respect to the assets of the Plan (other than routine claims for benefits made in the ordinary course of Plan administration for which Plan administrator review procedures have not been exhausted) is pending, or to ARCO's Knowledge, threatened or imminent against or with respect to the Plan or any Plan sponsor or fiduciary (as defined in ERISA Section 3(21)).

(g) Except as otherwise provided in this Agreement, each Plan (including any Plan covering former employees of TBCC) which is established and maintained by TBCC may be amended or terminated by TBCC or Acquisition Corp. on or at any time after the Closing Date.

(h) No payment under any Plan made within two years after the Closing Date shall constitute an "excess parachute payment" under Section 280G of the Code.

4.18 BANK ACCOUNTS. Section 4.18 of the Disclosure Schedule sets forth the name of each bank, savings and loan or other financial institution in which TBCC or SL has any account or safe deposit box.

4.19 BROKER LIABILITY. With respect to any broker, finder or similar consultant, retained by, or acting on behalf of ARCO, Delta Housing or their Affiliates, in connection with this Agreement or the transactions contemplated hereby, ARCO and Delta Housing shall be solely responsible and liable for any brokerage, finder's or similar consultant's fee or other commission in respect of such broker, finder or similar consultant.

4.20 FINANCIAL STATEMENTS. The Audited Financial Statements to be delivered in accordance with Section 2.6(a) shall have been prepared in accordance with GAAP consistently applied during the periods involved and in accordance with Regulation S-X under the Securities Exchange Act of 1934, as amended. The audited balance sheets of ACC at December 31, 1997 and 1996 (including the notes thereto) present fairly the financial position of ACC at such dates, and the consolidated statement of income, of equity investment and of cash flows (including the notes thereto) for each of the three years in the period ended December 31, 1997, fairly present the results of operations, equity investment and cash flows of ACC for each of such years. The unaudited balance sheets (if any) of ACC as of the last day of each calendar quarter ending subsequent to December 31, 1997 and prior to the Closing Date, and consolidated statements of income, of equity investment and of cash flows for the quarterly periods then ended (the "UNAUDITED FINANCIAL STATEMENTS") have been prepared in accordance with GAAP consistently applied during the periods involved and in accordance with Regulation S-X under the Securities

Exchange Act of 1934, as amended. Each balance sheet (if any) included among the Unaudited Financial Statements (including the notes thereto) fairly presents the financial position of ACC as of the date thereof, and each consolidated statement of income, of equity investment and of cash flows included among the Unaudited Financial Statements (including the notes thereto) fairly presents the results of operations, equity investment and cash flows of ACC for each period presented. The Interim Date Balance Sheet and the Closing Date Balance Sheet will be derived from the combined, consolidated balance sheets of ACC. The Interim Date Balance Sheet (including the related notes) will fairly present TBCC's financial position as of its date.

4.21 BLACK LUNG DISCLOSURE. The present actuarial value (determined using the Black Lung Discount Rate) of TBCC's black lung liability as of the Interim Date does not exceed that which has been reserved for by TBCC on the Interim Date Balance Sheet.

4.22 CONDUCT OF BUSINESS. Except as set forth in Section 4.22 of the Disclosure Schedule, since the Interim Date, the ARCO Parties have conducted their respective businesses only in, and have not engaged in any transaction other than in, the ordinary and usual course of such businesses or as described in the Purchase Agreement and there has not been any change by the ARCO Parties in accounting principles, practices or methods that is not required by GAAP. Except as provided for herein and other than in the ordinary course consistent with past practice, since the Interim Date there has not been (i) any increase in the compensation payable or which could become payable by the ARCO Parties to their respective officers or employees or (ii) any amendment of any of the ARCO Parties' Plans.

4.23 ASSETS. Except (i) as set forth in Section 4.23 of the Disclosure Schedule and (ii) for the LTL Property that will be owned by Delta Housing and remain subject to the Little Thunder Lease, prior to the Closing Date, ARCO will have transferred or caused to be transferred to the ARCO Parties all tangible and intangible assets of every description therefor held by ARCO or any Affiliate of ARCO under intercompany agreements and arrangements with ARCO and its Affiliates or otherwise and used exclusively by the ARCO Parties in the conduct of the ARCO Parties' respective businesses on and since the Interim Date.

4.24 CERCLA. None of the Properties are listed on the National Priority List pursuant to CERCLA or on any similar list pursuant to any state Environmental Laws.

4.25 DISCLAIMER OF CERTAIN REPRESENTATIONS AND WARRANTIES. ARCH AND ACQUISITION CORP. ACKNOWLEDGE THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NONE OF ARCO, DELTA HOUSING OR ANY AFFILIATE, EMPLOYEE OR AGENT OF ARCO OR DELTA HOUSING HAS MADE ANY REPRESENTATION, PROMISE, COVENANT OR WARRANTY REGARDING ANY OF THE ARCO PARTIES, THEIR PROPERTIES, ASSETS, BUSINESS, OPERATIONS, LIABILITIES OR OBLIGATIONS, OR OTHERWISE. ARCO AND DELTA HOUSING HEREBY DISCLAIM ANY IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREIN.

4.26 NO OTHER COMMITMENT TO SELL LLC INTERESTS. Neither ARCO nor Delta Housing has sold or has committed to sell the membership interests of the ARCO Parties to any other Person.

4.27 ABSENCE OF UNDISCLOSED LIABILITIES. To ARCO's and TBCC's Knowledge, none of the ARCO Parties has any material liabilities, whether accrued or contingent, other than (i) liabilities (or reserves therefor) set forth in the Preliminary Interim Date Balance Sheet, (ii) liabilities set forth in the ARCO Disclosure Schedule, and (iii) liabilities incurred since the date of the Preliminary Interim Date Balance Sheet in connection with this Agreement or in the ordinary course of business, consistent with past practices.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF ARCH AND ACQUISITION CORP.

Arch and Acquisition Corp. represent and warrant, jointly and severally, to ARCO, Delta Housing and the Company as of the Effective Date (or such other date as is specified therein), as follows:

5.1 ORGANIZATION AND GOOD STANDING. Arch and Acquisition Corp. are corporations duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

5.2 AUTHORITY. Arch and Acquisition Corp. have full corporate power and authority to enter into this Agreement and to perform their respective obligations hereunder. This Agreement constitutes a valid and binding obligation of each of Acquisition Corp. and Arch, enforceable against Acquisition Corp. and Arch in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

5.3 NO VIOLATIONS. The execution and delivery of this Agreement by Arch and Acquisition Corp. does not, and the consummation of the Proposed Transactions will not, (a) violate any of the provisions of the certificates of incorporation or bylaws of Arch or Acquisition Corp.; (b) result in the breach of, or constitute a default under, any material agreement or other material instrument to which Arch or Acquisition Corp. is a party or by which any of their respective properties or assets are bound; (c) violate any statute, rule, regulation, ordinance, code, order, judgment, writ, injunction, decree or award applicable to Arch, Acquisition Corp. or any of their respective properties or assets; or (d) constitute an event that, with notice, lapse of time or both, would result in any such violation, breach or default.

5.4 APPROVALS, CONSENTS AND OTHER ACTIONS. Except with respect to the filings required under the HSR Act, no consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any court, administrative agency, commission or other governmental authority or instrumentality, or any third party is required to be made or obtained by or with respect to Arch or Acquisition Corp. in connection with the execution, delivery and performance of this Agreement by Arch or Acquisition Corp.

5.5 FINANCIAL CAPABILITY. Arch and Acquisition Corp. have the financial capability to perform all of their obligations under this Agreement, and Acquisition Corp. has available all funds necessary to pay the Special Distribution, the Adjustment (if payable by Acquisition Corp.) and any other amounts contemplated by this Agreement.

5.6 ARCH'S AND ACQUISITION CORP.'S INQUIRY. Arch and Acquisition Corp. and their representatives have reviewed or received copies of, or had the opportunity to review, including in a data room maintained by ARCO, such information from ARCO and each of the ARCO Parties as they have requested, and have had the opportunity to make such inquiry of representatives of ARCO, Delta Housing and each of the ARCO Parties as they deem appropriate. Arch and Acquisition Corp. acknowledge that there are no representations or warranties, expressed or implied, except as expressly set forth in this Agreement.

5.7 ORGANIZATION, QUALIFICATION AND GOOD STANDING OF AOW. As of the Closing, AOW shall be a limited liability company, duly organized, validly existing and in good standing under the laws of its state of formation. AOW has all requisite limited liability company power and authority to own and lease the properties it currently owns and leases and to conduct its activities as such activities are currently conducted. AOW is duly authorized to conduct business and is in good standing under the laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not have a material adverse effect on the financial condition of AOW.

5.8 TITLE OF THE MEMBERSHIP INTERESTS. Acquisition Corp. holds or will hold of record and owns beneficially, and will transfer or cause to be transferred to the Company on the Closing Date, upon delivery to the Company at the Closing of an assignment, the Contributed Arch Interests, free and clear of any security interests, pledges, liens and encumbrances except as set forth in Section 5.8 of the Disclosure Schedule.

5.9 CAPITALIZATION. Section 5.9 of the Disclosure Schedule sets forth the form and jurisdiction of formation for AOW. Except as set forth in Section 5.9 of the Disclosure Schedule, AOW does not have any outstanding securities, subscriptions, options or other agreements or commitments obligating it to issue shares of its capital stock or membership interests.

5.10 REAL PROPERTY. Section 5.10 of the Disclosure Schedule sets forth a list of all material real property, leaseholds, water rights and other material interests in real property or water held by AOW. Except as set forth in Section 5.10 of the Disclosure Schedule, AOW holds an interest in the real property described in Section 5.10 of the Disclosure Schedule as held by it, according to the terms of the instrument, conveyance or document creating such interest, free and clear or all liens, encumbrances, equities, claims, covenants, conditions, reservations, restrictions, easements, rights of way and other agreements known to Arch and Acquisition Corp., except for (a) liens for Taxes not yet due and payable, or which may hereafter be paid without penalty, or that are being contested in good faith by appropriate proceedings or which are listed or described in the Disclosure Schedule, (b) liens in favor of vendors, carriers, warehousemen, repairmen, mechanics, workmen and materialmen and construction or similar liens arising by operation of law or in the ordinary course of business in respect of obligations that are not yet due or that are

being contested in good faith by appropriate proceedings, (c) liens to be released at or prior to the Closing, (d) rights reserved to or vested in any Federal, state or local governmental body, authority or agency to control or regulate any such real property interests in any manner, and all Laws, (e) easements, reservations, rights-of-way, restrictions, covenants, conditions and other similar encumbrances, whether of record or apparent on the premises, including road, highway, pipeline, railroad and utility easements, and defects in the chain of title that do not materially and adversely affect the present use of such real property, and (f) other defects and irregularities in title or encumbrances that are not material in character, amount or extent. Except as set forth in Section 5.10 of the Disclosure Schedule, each of the material leases, subleases, easements, licenses and agreements described in Section 5.10 of the Disclosure Schedule is in full force and effect according to the terms of each respective instrument, and, to Arch and Acquisition Corp.'s knowledge, each holder of such lease, sublease, easement, license or agreements has complied with all material requirements in connection therewith, and there is not under any such lease, sublease, easement, license or agreement, any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by AOW.

5.11 BUILDINGS, STRUCTURES AND TANGIBLE PERSONAL PROPERTY. Section 5.11 of the Disclosure Schedule lists all material buildings, structures and improvements and all material items of machinery, equipment and other tangible personal property owned or leased by AOW.

5.12 MATERIAL CONTRACTS. Section 5.12 of the Disclosure Schedule lists all material contracts and agreements and all documents evidencing rights of or commitments to which AOW is a party or its property or assets are bound. Except as set forth in Section 5.12 of the Disclosure Schedule, each such contract, agreement or document is in full force and effect according to the terms of each respective instrument, and AOW has complied with all requirements in connection therewith, and there is not under any such contract, agreement or document any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by AOW.

5.13 INSURANCE POLICIES. Section 5.13 of the Disclosure Schedule lists all material policies of insurance issued by third-party insurers for the 1998 policy period, including amounts of coverage thereof, that are maintained by Arch for the benefit of AOW or by AOW for which AOW is named as an insured party. Except as set forth in Section 5.13 of the Disclosure Schedule, such policies are in full force and effect and all premiums due have been paid.

5.14 TAXES. Except as set forth in Section 5.14 of the Disclosure Schedule, AOW has filed or caused to be filed with the appropriate local, state, Federal and foreign governmental entities all material Tax Returns required to be filed by AOW on or prior to the Closing Date (taking into account all extensions of due dates), and have paid or caused to be paid or adequately provided for all Taxes shown thereon as owing.

5.15 LICENSES, PERMITS, AUTHORIZATIONS. Section 5.15 of the Disclosure Schedule lists all of the material licenses, permits (including mining permits and the amount of any bond or other surety for each mining permit), certificates, bonds, consents, rights and other such authorizations issued or granted to AOW by local, state or Federal governmental authorities or agencies. Except as set forth in Section 5.15 of the Disclosure Schedule, each of the licenses,

permits, certificates, bonds, consents, rights and other authorizations listed in Section 5.15 of the Disclosure Schedule is in full force and effect according to the material terms of each instrument, each holder of such licenses, permits, certificates, bonds, consents, rights and other authorizations has complied with all material requirements in connection therewith, and there is not under any such licenses, permits, certificates, bonds, consents, rights and other authorizations any existing material breach or default (or event that, with notice, lapse of time or both, would constitute a material breach or default) by AOW.

5.16 LITIGATION. Except as set forth in Section 5.16 of the Disclosure Schedule, (i) AOW is not a party to any lawsuit, claim, or other proceeding, or, to Arch or Acquisition Corp.'s knowledge, any investigation, and (ii) AOW is not in default under any judgment, order or decree of any court, administrative agency or commission or other governmental authority or instrumentality applicable to it or any of its property or assets.

5.17 COMPLIANCE WITH LAWS. Except as set forth in Section 5.17 of the Disclosure Schedule, AOW is in compliance in all material respects with all applicable Laws.

5.18 LABOR MATTERS. Except as set forth in Section 5.18 of the Disclosure Schedule, AOW is not a party to any collective bargaining agreement with any labor union or association, there are no formal negotiations, demands or proposals that are pending or have been recently conducted or made with or by any labor union or association, and there are not pending any strikes, work stoppages or material labor disputes involving AOW.

5.19 EMPLOYEE BENEFIT PLANS.

(a) Section 5.19 of the Disclosure Schedule sets forth a list of all "employee benefit plans" as defined in Section 3 of ERISA, and any other pension or retirement, savings, profit sharing, deferred compensation, stock option (including restricted or performance units), severance, vacation, medical, vision, dental, long term disability, life insurance, group accident, occupational death, business travel, long term care, educational assistance, floating holiday, personal business, gain-share, bonus, financial counseling, welfare or sick leave or other employee benefit plan, procedure, policy or practice of any nature (collectively, the "PLANS") covering employees of AOW.

(b) Except as set forth in Section 5.19 of the Disclosure Schedule, with respect to each Plan that is an "employee pension benefit plan" as defined in Section 3(2) of ERISA and that is not a "multi employer plan" as defined in Section 3(37) of ERISA, AOW is in compliance with all applicable provisions of ERISA and the Code. Except as set forth in Section 5.19 of the Disclosure Schedule, AOW has not engaged in a prohibited transaction that would subject it to a material tax imposed under Section 4975 of the Code.

(c) Within the preceding five years, AOW has not been a party to or contributed to any "multi employer plan," as defined in Section 4001(a)(3) or ERISA.

5.20 BANK ACCOUNTS. Section 5.20 of the Disclosure Schedule sets forth the name of each bank, savings and loan or other financial institution in which AOW has any account or safe deposit box, and the names of all Persons authorized to draw thereon or have access thereto.

5.21 FINANCIAL STATEMENTS. A balance sheet (the "AOW CLOSING DATE BALANCE SHEET") will be prepared as of the Closing Date for AOW in accordance with AOW's historic accounting principles in each case as applied on a consistent basis during the periods indicated (except as otherwise stated in this Section 5.21), and will fairly present the combined financial position of AOW as of the dates thereof.

5.22 BROKER LIABILITY. With respect to any broker, finder or similar consultant, retained by, or acting on behalf of Arch or Acquisition Corp., in connection with this Agreement or the transactions contemplated hereby, Arch or Acquisition Corp., as the case may be, shall be solely responsible and liable for any brokerage, finder's or similar consultant's fee or other commission in respect of such broker, finder or similar consultant.

5.23 ASSETS. Except as set forth in Section 5.26 of the Disclosure Schedule, prior to the Closing Date, Acquisition Corp. has transferred or caused to be transferred to AOW all tangible and intangible assets of every description therefor held by Acquisition Corp. or any Affiliate of Arch under intercompany agreements and arrangements with Arch and its Affiliates or otherwise and used exclusively by AOW in the conduct of AOW's business on and since December 31, 1997.

5.24 QUALIFICATION, COMPLIANCE WITH ACREAGE LIMITATIONS. Each of Acquisition Corp. and the Company is qualified under all applicable Laws to hold the interests in Federal and state coal leases it will acquire at the Closing. Immediately after the consummation of the Proposed Transactions neither Arch nor Acquisition Corp. will itself, directly or indirectly, or in combination with any Person, own holdings of Federal or state coal leases in excess of any applicable limitations.

5.25 CERCLA. None of the Carbon Basin Reserves are listed on the National Priority List pursuant to CERCLA or any similar list pursuant to state Environmental Laws.

5.26 DISCLAIMER OF CERTAIN REPRESENTATIONS AND WARRANTIES. ARCO AND DELTA HOUSING ACKNOWLEDGE THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NONE OF ARCH, ACQUISITION CORP. NOR ANY AFFILIATE, EMPLOYEE OR AGENT OF ARCH OR ACQUISITION CORP. HAS MADE ANY REPRESENTATION, PROMISE, COVENANT OR WARRANTY REGARDING AOW, ITS PROPERTIES, ASSETS, BUSINESS, OPERATIONS, LIABILITIES OR OBLIGATIONS, OR OTHERWISE. ARCH AND ACQUISITION CORP. HEREBY DISCLAIM ANY IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

5.27 BLACK LUNG DISCLOSURE. Section 5.27 of the Disclosure Schedule lists all pending claims against AOW for federal black lung liability.

5.28 ABSENCE OF UNDISCLOSED LIABILITIES. To Arch's and Acquisition Corp.'s knowledge, AOW has no material liabilities, whether accrued or contingent, other than liabilities set forth in the Arch Disclosure Schedule and liabilities incurred since the Effective Date in connection with this Agreement or in the ordinary course of business, consistent with past practices.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Contributing Member as follows:

6.1 DUE ORGANIZATION; GOOD STANDING AND POWER. The Company is a limited liability company duly formed and validly existing under the laws of the State of Delaware. The Company has all power and authority to enter into this Agreement and to perform its obligations hereunder and thereunder. As of the Closing, the Company will be duly authorized, qualified or licensed to do business as a foreign limited liability company, in each of the jurisdictions in which its right, title or interest in or to any asset, or the conduct of its business, requires such authorization, qualification or licensing, except where the failure to so qualify would not have a material adverse effect on the ability of the Company to perform its obligations hereunder and under all agreements delivered pursuant hereto.

6.2 AUTHORIZATION AND VALIDITY OF AGREEMENT. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby have been duly authorized by all necessary company action on the part of the Company. No other Company action is necessary for the authorization, execution, delivery and performance by the Company of this Agreement, and the consummation by the Company of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject to applicable laws of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity regardless of whether such enforceability is considered in a proceeding in equity or at law.

6.3 NO CONSENTS REQUIRED; NO CONFLICT WITH INSTRUMENTS TO WHICH THE COMPANY IS A PARTY. The execution, delivery and performance of this Agreement by the Company and the consummation by it of the transactions contemplated hereby (i) will not require any consent and (ii) will not violate (with or without the giving of notice or the lapse of time or both), conflict with, or result in the breach or termination of any provision of, or constitute a default under, or result in the acceleration of the performance of the obligations of the Company under any agreement to which the Company is a party or by which the Company or any of its assets or properties is bound.

6.4 ACCREDITED INVESTOR. The Company is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of the Securities Act.

6.5 INVESTMENT INTENT. The Company is acquiring the Contributed Membership Interests for its own account for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in any transaction that would be in violation of the securities laws of the United States or any state thereof. The Company acknowledges that the Contributed Member Interests have not been registered or qualified under, and are sold in reliance upon an exemption from the registration requirements of, the Securities Act and any applicable state securities or "Blue Sky" laws, and may not be offered, sold, transferred, pledged, hypothecated or otherwise assigned unless they are registered under the Securities Act and any applicable securities or "Blue Sky" laws of any state or an exemption from such registration is available.

ARTICLE 7
COVENANTS AND AGREEMENTS OF THE PARTIES

7.1 ACCESS TO INFORMATION.

(a) Arch and Acquisition Corp. acknowledge that prior to the Effective Date, ARCO has caused each of the ARCO Parties to give Arch and its authorized representatives reasonable access to the employees, offices, properties, and a data room containing certain books and records of the ARCO Parties, has permitted Arch and Acquisition Corp. to make inspections of and tour the ARCO Parties' mines, and has furnished Arch with certain financial and operating data and other information with respect to the business, assets, properties, operations, liabilities and obligations of the ARCO Parties. Prior to the Closing Date, Acquisition Corp. shall have reasonable access during normal business hours to the operations, facilities, employees and representatives of ARCO and the ARCO Parties as reasonably necessary to (i) verify the representations and warranties given by ARCO and Delta Housing hereunder or ARCO and ARCO Uinta under the Purchase Agreement, and (ii) begin planning for an orderly transition process with respect to the Proposed Transactions; PROVIDED, HOWEVER, Acquisition Corp. will not have access to any financial data or other information relating to TBCC's bid on the Thunder Cloud Federal Lease Tract . Except as set forth in the preceding sentence or otherwise provided in this Agreement, from and after the Effective Date, neither Arch nor Acquisition Corp. shall have the right to access the employees, offices, properties, books and records of ARCO or the ARCO Parties, to inspect the ARCO Parties' mines or other properties, or to inspect or have furnished financial or operating data or other information with respect to the business, assets, properties, operations, liabilities or obligations of ARCO or the ARCO Parties.

(b) Prior to the Closing, Arch shall keep (and shall cause its directors, officers, employees, representatives, advisors and Affiliates to keep) all information relating to ARCO and the ARCO Parties (including any such information received prior to the date hereof) confidential, and shall use such information only, on the terms and conditions as are set forth in the confidentiality agreements between ARCO and Arch, together with any supplement or amendment reasonably requested by ARCO from time to time. After the Closing, each party hereto agrees to keep the terms and conditions of this Agreement confidential, and to redact any provisions reasonably requested by any other party (including Section 10.2(c)) from copies of this Agreement filed with the Securities and Exchange Commission, except for such matters that may be required to be disclosed by law or applicable stock exchange requirements or that are

generally available in the public domain other than as a result of a breach of this Agreement by such party.

(c) After the Closing, Acquisition Corp. shall at its own expense or at the expense of the ARCO Parties, cause the ARCO Parties to preserve and keep, or transport to a storage site of its own selection where it shall preserve and keep, the books and records of each of the ARCO Parties obtained by Acquisition Corp. or retained by the ARCO Parties, including financial or business transaction records, books of original entry, tax records and supporting documents, for a period of seven years from the Closing Date or such longer period if required under applicable Laws. Within 60 days after the Closing, ARCO shall provide Acquisition Corp. with a list or inventory of the document types and inclusive dates of the records transmitted to Acquisition Corp. or retained by the ARCO Parties. Acquisition Corp. shall make or shall cause the ARCO Parties to make such acquired or retained records as are dated up to the Closing Date and included in the inventory provided by ARCO, including the general ledger and mining reports, available to ARCO as may be reasonably requested by ARCO in connection with, among other things, any of ARCO's financial reporting or Tax filing obligations, for a period of seven years from the Closing Date or such longer period if required under applicable Laws. For a period of 15 years after the Closing Date, Acquisition Corp. shall notify ARCO in writing, on an annual basis, of the document types and, if applicable, inclusive dates of any such retained records, that it or the ARCO Parties intend to destroy during the following one-year period. If ARCO desires access to such records for a period of time longer than specified in Acquisition Corp.'s annual notice, ARCO shall notify Acquisition Corp. in writing, not more than 60 days following ARCO's receipt of Acquisition Corp.'s annual notice, of its desire to retain such records, and Acquisition Corp. shall deliver, or cause the ARCO Parties to deliver, such records to ARCO. If ARCO does not notify Acquisition Corp. of its desire to retain records within such 60-day period, Acquisition Corp. or the ARCO Parties may dispose of such records according to prudent records management practices in the ordinary course of business.

(d) The parties hereby acknowledge that any in-house counsel of the ARCO Parties or ARCO who are Employees and who participated in the preparation, negotiation or consummation of this Agreement or the Proposed Transactions were providing legal representation for ARCO and, notwithstanding any other provision of this Agreement, neither the ARCO Parties or ARCO nor such counsel shall be required to disclose under any circumstance any information or documents covered by the attorney-client privilege or the work-product doctrine as such information or documents were developed in the course of such representation. All such information and documents shall remain the sole and exclusive property of ARCO.

7.2 CONDUCT OF THE BUSINESS PENDING THE CLOSING. From the Effective Date to the Closing Date, except in connection with the transactions contemplated by this Agreement and the Purchase Agreement, or as otherwise consented to in writing by Acquisition Corp. (which consent shall not be unreasonably withheld, conditioned or delayed), ARCO shall use commercially reasonable efforts, and consistent with its obligations under the limited liability company agreements of the ARCO Parties to cause each of the ARCO Parties to (a) conduct its business in the ordinary course and consistent with past practices, except that (i) none of the properties or assets listed in the ARCO Disclosure Schedule valued at $250,000 or more may be transferred, disposed of, encumbered or hypothecated, (ii) no individual capital expenditure by

any ARCO Party in excess of $1 million or capital expenditures aggregating (for all ARCO Parties) in excess of $25 million shall be made or committed, and (iii) no ARCO Party shall enter into any coal supply agreement with a term in excess of one year or materially amend any coal supply agreement disclosed in the Disclosure Schedule having a term in excess of one year (but TBCC shall have the right, but not the obligation, to bid on the Thunder Cloud Federal Lease Tract on such terms and conditions, including the amount of any bonus bid, as it elects in its sole discretion), (b) keep in full force and effect its limited liability company existence, (c) comply in all material respects with all Material Contracts set forth in Section 4.10 of the Disclosure Schedule to which each is a party, (d) use commercially reasonable efforts to retain its employees and maintain its business relationships with customers and suppliers, and (e) maintain all facilities, equipment and other tangible assets in accordance with past maintenance practices of the ARCO Parties.

7.3 NOTIFICATION. Between the Effective Date and the Closing Date, ARCO and Arch will each, promptly upon becoming aware thereof, notify the other in writing of any fact or condition that causes or constitutes a breach of any of the other party's representations and warranties made as of the Effective Date or any default in the other party's performance of its covenants and agreements herein.

7.4 ANTITRUST NOTIFICATION. The appropriate parties hereto shall, as promptly as practicable, but in no event later than ten business days after the date of this Agreement, file with the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "ANTITRUST DIVISION") the notification and report form required for the proposed transactions contemplated hereby pursuant to the HSR Act. The appropriate parties hereto shall furnish to each other such necessary information and reasonable assistance as may be requested in connection with the preparation of any filing required to be made under the HSR Act. The appropriate parties shall use all commercially reasonable efforts to respond as promptly as practicable to all inquiries received from the FTC or the Antitrust Division for additional information or documentation and to obtain as promptly as practicable any clearance required under the HSR Act for the contribution of the assets hereunder.

7.5 FEES AND EXPENSES. Except as otherwise specifically provided in this Agreement, the parties shall bear their own fees and expenses incurred in connection with this Agreement (including fees and expenses of their respective investment bankers) and in connection with all obligations required to be performed by each of them under this Agreement.

7.6 PUBLICITY. Except as otherwise required by law or applicable stock exchange requirements, no party hereto shall issue any press release or public statement relating to or concerning this Agreement or the matters contained herein, without obtaining the prior approval of the other parties hereto of the contents and the manner of presentation and publication thereof, which approval shall not be unreasonably withheld, conditioned or delayed.

7.7 POST-CLOSING ASSISTANCE. From and after the Closing Date, upon the request of Arch or Acquisition Corp., on the one hand, or ARCO and Delta Housing, on the other, the parties hereto shall do, execute, acknowledge and deliver all such further acts, assurances, deeds,

assignments, transfers, conveyances and other instruments and papers as may be reasonably required or appropriate to carry out the transactions contemplated by this Agreement.

7.8 GUARANTEES. ARCO and/or Delta Housing provided certain guarantees, indemnities and similar obligations with respect to the ARCO Parties, which guarantees, indemnities and obligations are set forth in Section 7.8 of the Disclosure Schedule. Arch and Acquisition Corp. agree to cooperate with ARCO and use its best efforts to cause the release of each such guarantee, indemnity and obligation, including the substitution of Arch, Acquisition Corp. and/or an Affiliate of Arch or Acquisition Corp. as the guarantor, indemnitor or responsible party thereunder and the release of ARCO and Delta Housing on or as soon as practicable after the Closing. Without limiting the foregoing, Arch and Acquisition Corp. hereby undertake, assume and agree to perform, pay and discharge all such guarantees, indemnities and obligations, and Arch and Acquisition Corp. shall indemnify and hold harmless each of ARCO and Delta Housing, including any officers, directors or Affiliates of ARCO and Delta Housing with respect to all Losses arising out of or relating to any such guarantee, indemnity or obligation.

7.9 NAME CHANGES. No later than 30 days following the Closing Date, Acquisition Corp. shall cause the Company to amend the certificate of incorporation of each of the ARCO Parties to remove the word "ARCO" or any similarity or reference thereto. The new corporate name of the ARCO Parties adopted by Acquisition Corp. shall not contain any word or words confusingly similar to "ARCO" or the "Atlantic Richfield Company." No later than six months following the Closing Date, Arch shall remove the marks and names "ARCO," "ARCO COAL" and "ATLANTIC RICHFIELD" and the Spark Design and any other words, names or symbols proprietary to ARCO, from all tangible and intangible properties, real and personal, acquired by Acquisition Corp. and the Company hereunder.

7.10 SURETY BONDS. Acquisition Corp. will use commercially reasonable efforts to submit surety bonds (collectively, "SUBSTITUTE SURETY BONDS" and individually, a "SUBSTITUTE SURETY BOND"), effective as of the Closing, in substitution for ARCO's or Delta Housing's surety bonds and self bonds listed in Section 4.13 of the Disclosure Schedule (collectively, "SURETY BONDS" and individually, a "SURETY BOND"). If all the Substitute Surety Bonds are not effective 90 days after the Closing Date, Acquisition Corp. shall be required to pay ARCO or Delta Housing, in consideration of ARCO or Delta Housing keeping in effect those Surety Bonds for which a Substitute Surety Bond is not then effective (collectively, the "POST-CLOSING SURETY BONDS" and individually, a "POST-CLOSING SURETY BOND"), an amount equal to one-half of one percent of the face value of the Post-Closing Surety Bonds per month (or pro rata portion thereof) until such time as Substitute Surety Bonds are effective, it being agreed that the aggregate face value of the Post-Closing Surety Bonds shall be reduced dollar-for-dollar by the face value of Substitute Surety Bonds as such Substitute Surety Bonds become effective after the Closing Date without regard to or whether any of the Post-Closing Surety Bonds are released. In the event Substitute Surety Bonds in substitution for all the Post-Closing Surety Bonds are not effective within 180 days after the Closing Date, in lieu of Acquisition Corp.'s payment obligation under the preceding sentence, Acquisition Corp. shall obtain, for the benefit of ARCO performance bonds or other assurances, from such surety providers and with such terms and conditions reasonably acceptable to ARCO and Delta Housing (the "PERFORMANCE BONDS") in an

aggregate face value equal to the aggregate face value of the Post-Closing Surety Bonds on and after such 180th day, it being agreed that the aggregate face value of the Performance Bonds shall be reduced dollar-for-dollar by the face value of Substitute Surety Bonds as such Substitute Surety Bonds thereafter become effective without respect to whether any of the Post-Closing Surety Bonds secured by the Performance Bonds are released. Without limiting the foregoing, Arch and Acquisition Corp. shall indemnify and hold harmless ARCO, Delta Housing and their Affiliates with respect to all Losses arising under the Surety Bonds.

7.11 BLACK LUNG LIABILITY. Arch and Acquisition Corp. have reviewed any reserves and accruals of the ARCO Parties, including those which are with respect to potential liability under the Black Lung Benefits Act of 1972, as amended, the Black Lung Benefits Reform Act of 1977, as amended, and other applicable Federal and state black lung acts or laws designed to provide such benefits to employees. Arch acknowledges that, except with respect to any breach of the representation and warranty made by ARCO in Section 4.21 in respect of black lung liabilities, any Loss in respect of black lung shall not form the basis for any assertion of a breach of a representation or warranty contained in this Agreement.

7.12 LITIGATION SUPPORT. From and after the Closing Date, Arch and Acquisition Corp shall indemnify and hold harmless ARCO, Delta Housing and their Affiliates with respect to all Losses arising out of or relating to any matter set forth in Section 4.14 of the ARCO Disclosure Schedule. Without limiting the foregoing, if and for so long as ARCO is defending or contesting any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction involving the ARCO Parties, Arch and Acquisition Corp. shall cooperate and shall cause the ARCO Parties to cooperate (on and after the Closing Date) with ARCO or Delta Housing and its counsel and agents in such defense or contest, make available its and their personnel, and provide such testimony and access to its and their books and records as shall be necessary in connection with such defense or contest all at Acquisition Corp.'s cost.

7.13 INSURANCE. Arch has reviewed the insurance policies set forth in Section 4.11 of the Disclosure Schedule. ARCO agrees that all such insurance policies shall remain in full force and effect until the Closing. All coverage and benefits under such insurance policies and any other insurance policies of ARCO or its Affiliates, subject to the terms thereof, shall cease at the Closing. On and after the Closing Date, Arch shall be solely responsible for obtaining and maintaining any and all insurance coverage and protection relating to the respective business, assets, properties, operations, liabilities and obligations of the ARCO Parties.

7.14 ARCH'S AND ACQUISITION CORP.'S ENVIRONMENTAL RESPONSIBILITIES. Arch and Acquisition Corp. hereby acknowledge and agree that all Environmental Liabilities asserted against the ARCO Parties related to any property listed in Section 7.14 of the Disclosure Schedule (the "PROPERTIES") shall be retained by the ARCO Parties on and following the Closing Date and that all Environmental Liabilities asserted against ARCO, Delta Housing or their Affiliates with respect or related to the Properties shall be assumed by Arch and Acquisition Corp. From and after the Closing Date, Arch and Acquisition Corp. shall perform, pay and discharge, or cause the ARCO Parties to perform, pay and discharge all retained and assumed

Environmental Liabilities, and shall indemnify and hold harmless ARCO, Delta Housing and their Affiliates with respect to such Environmental Liabilities.

7.15 ARCO'S AND DELTA HOUSING'S ENVIRONMENTAL RESPONSIBILITIES. ARCO and Delta Housing hereby acknowledge and agree that all Environmental Liabilities resulting from the ownership or operation of properties other than the Properties (the "OTHER PROPERTIES") by the ARCO Parties or any of their predecessors or Affiliates (unless caused by Acquisition Corp., Arch, the ARCO Parties or any of their respective Affiliates on or after the Closing Date), shall be assumed by ARCO and Delta Housing. From and after the Closing Date, ARCO and Delta Housing shall perform, pay and discharge any such Environmental Liabilities assumed pursuant to this Section 7.15, and shall indemnify and hold harmless each Arch Indemnitee with respect to such Environmental Liabilities.

7.16 OTHER LIABILITIES.

(a) Except as otherwise expressly provided in this Agreement and without limiting ARCO's or Delta Housing's liability for breaches of representations and warranties and defaults of covenants and agreements under this Agreement and the Purchase Agreement in addition to the Environmental Liabilities, Arch and Acquisition Corp. hereby acknowledge and agree that, all Other Liabilities shall be retained by the ARCO Parties on and following the Closing Date. Except with respect to Other Liabilities retained by Delta Housing or required to be indemnified by ARCO and Delta Housing, in each case as expressly provided under this Agreement and the Purchase Agreement from and after the Closing Date, Acquisition Corp. shall perform, pay or discharge or cause the ARCO Parties to perform, pay or discharge such Other Liabilities, and shall indemnify and hold harmless each of ARCO and Delta Housing and any officer, director, employee, agent or Affiliate of ARCO or Delta Housing with respect to such Other Liabilities.

(b) "OTHER LIABILITIES" shall mean any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursements or expenses (including attorneys' fees and costs, experts' fees and costs and consultants' fees and costs) of any kind or nature, whether existing on the Closing Date or arising thereafter (including those absolute, accrued, contingent, unknown or otherwise), that are asserted against an ARCO Party or ARCO, Delta Housing or any of their Affiliates arising out of, based on or relating to the business, assets, properties, operations, liabilities or obligations of any and all of the ARCO Parties, other than Environmental Liabilities.

7.17 DISCLOSURE SCHEDULES. The parties hereto shall have ten (10) days after the Effective Date to revise the Disclosure Schedules delivered hereunder by written notice to the other party; provided, however, that no such revision shall materially alter the nature or effect of the specific item so modified, or alone or in the aggregate have a Material Adverse Effect. The revised Disclosure Schedules shall become the Disclosure Schedules to the Agreement as if initially attached hereto.

7.18 COMMERCIALLY REASONABLE EFFORTS. Each of Arch, Acquisition Corp., ARCO and Delta Housing will use commercially reasonable efforts to take all actions and do all things necessary in order to consummate and make effective the transactions contemplated by this

Agreement (including the satisfaction, but not the waiver, of the closing conditions set forth in Sections 11.1 and 11.2).

ARTICLE 8
EMPLOYEES AND EMPLOYEE BENEFITS

8.1 RETENTION OF EMPLOYEES AND CONTINUATION OF BENEFITS.

(a) Section 8.1(a) of the Disclosure Schedule sets forth a list of the Employees who will be retained in employment by TBCC ("TRANSFEREES"), which list shall be updated and supplemented by ARCO and agreed to by Acquisition Corp. on and as of the Closing Date. Acquisition Corp. shall take such action as may be necessary to provide that as of the Closing Date, the Transferees shall remain employed by the ARCO Parties or shall be employed by Acquisition Corp. and the Transferees shall, except as otherwise provided, participate in Acquisition Corp.'s employee benefit plans offered to similarly situated employees.

(b) Without limiting the foregoing, for purposes of this Article 8, Arch shall ensure that on and following the Closing Date, the Transferees shall receive credit with respect to any benefit plan, arrangement or other right whether contemplated in Section 4.17 of the Disclosure Schedule or otherwise, for any period of employment with ARCO or the ARCO Parties (including any applicable predecessors or Affiliates) prior to the Closing Date for eligibility and vesting purposes under each employee benefit plan, arrangement or other right; provided, however, that in no event shall any Transferees be given credit for any such purpose for any period of employment that was not counted for such purpose under any applicable plan, arrangement or Plan of ARCO or the ARCO Parties prior to the Closing Date.

8.2 RETENTION OF RETIREMENT PLANS FOR ARCO PARTIES. Section 8.2 of the Disclosure Schedule sets forth a list of any retirement plan established and maintained by the ARCO Parties or ARCO (collectively, the "RETIREMENT PLANS"). Acquisition Corp. shall take such action as may be necessary to cause any applicable ARCO Party to continue to administer and maintain its respective Retirement Plan until December 31, 1998. On and following the Closing Date, Acquisition Corp. shall be responsible for retaining the sponsorship and all assets, accounts, liabilities and obligations of the Retirement Plans applicable to Transferees or former employees of the applicable ARCO Party, and Acquisition Corp. shall release, indemnify and hold harmless ARCO, Delta Housing and any of their Affiliates with respect to all Losses arising out of or relating to the Retirement Plans. Acquisition Corp. agrees that if, after December 31, 1998, the defined benefit Retirement Plan is merged into the Arch's Retirement Plan, the opening balance credits in the Arch's Retirement Plan with respect to Transferees shall be no less than the assets of the merged Retirement Plan allocable to the Transferees, and Transferees shall be entitled to the transition credits, though not longer than December 31, 2012, based on their years of Retirement Plan benefit accrual service, as provided by the Arch's Retirement Plan as of the Closing Date.

8.3 ARCO'S PENSION PLAN. As of the Closing Date, any Transferees who are participants in the Atlantic Richfield Retirement Plan II (the "ARCO RETIREMENT PLAN") shall no longer participate in such plan. Arch shall take such action as may be necessary to provide that

all such Transferees shall participate in Arch's cash balance defined benefit retirement plan ("ARCH'S RETIREMENT PLAN"). Arch understands and agrees that the accrued benefits of any Transferees under the ARCO Retirement Plan shall not increase following the Closing Date and that any surplus under such plan with respect to such Transferees shall be retained by ARCO. Arch agrees to provide open balance credits in Arch's Retirement Plan with respect to Transferees based on the Transferee's monthly accrued benefit under the ARCO Retirement Plan and the conversion factor under Arch's Retirement Plan, as in effect on the Closing Date. Such Transferee's open balance credits shall be reduced by the present value of the Transferee's accrued benefit under the ARCO Retirement Plan. Arch also agrees to provide Transferees with transition credits, though not longer than December 31, 2012, based on their years of ARCO Retirement Plan benefit accrual service, similar to the credits provided under Arch's Retirement Plan, as in effect on the Closing Date.

8.4 THRIFT PLAN. As of the Closing Date, any Transferees who are participants in the Atlantic Richfield Capital Accumulation Plan II and the Atlantic Richfield Savings Plan II (collectively, "ARCO ACCUMULATION AND SAVINGS PLANS") shall no longer participate in such plans. Arch shall take such action as may be necessary to provide that all such Transferees shall participate in Arch's defined contribution retirement plan(s) (collectively, the "ARCH'S SAVINGS PLAN"). Arch shall allow Transferees to make direct rollovers under Section 401(a)(31) of the Code or elective transfers under Treas. Reg. 1.411(d)-4, Q&A-3 of their account balances from the ARCO Accumulation and Savings Plans to Arch's Savings Plan. Arch and ARCO understand and acknowledge that Transferees who are participants in the ARCO Accumulation and Savings Plans may at their election choose to leave their contributions in either or both of the ARCO Accumulation and Savings Plans.

8.5 OTHER EMPLOYEE BENEFITS. Except as specifically set forth in Sections 8.3 and 8.4, as of the Closing Date (i) Employees of the ARCO Parties (and their respective beneficiaries and dependents) shall no longer participate in any employee benefit plan or arrangement maintained by ARCO and (ii) Arch and the Company shall assume or retain (as applicable) all liabilities relating to Transferees or former employees of the ARCO Parties (and their respective beneficiaries and dependents). Without limiting the provisions of Section 8.1, Arch shall continue to provide until December 31, 1998 under plans comparable to plans applicable to Transferees prior to the Closing, the following benefits: (i) the group health coverage currently provided to the Transferees, former employees and their dependents, or any sub-group thereof (collectively, the "PARTICIPANTS"), or comparable group health coverage which shall (A) waive any pre-existing condition limitations on benefits for the Participants, (B) waive any eligibility waiting periods for the Participants, and (C) give effect, in determining or applying any deductible and maximum out-of-pocket limitations, to claims incurred, amounts paid by or on behalf of and amounts reimbursed to the Participants under ARCO's or an ARCO Party's group health plan during the calendar year in effect as of the Closing Date, and (ii) benefits under the employee benefit plans described in Section 4.17 of the Disclosure Schedule. Without limiting the foregoing, Arch agrees to provide coverage to the Transferees as required by the Consolidated Omnibus Budget Reconciliation Act of 1985.

8.6 FLEXIBLE SPENDING ACCOUNTS. ARCO and Acquisition Corp. agree to cooperate with each other in all reasonable respects to effect an orderly transition for Employees from the

flexible spending account plans in which such Employees currently participate to Arch's comparable plans as appropriate and to the extent permitted by applicable law.

8.7 COOPERATION. ARCO and Acquisition Corp. agree to cooperate with each other in all reasonable respects with respect to administrative issues arising out of this Agreement that relate to the Plans of ARCO, Acquisition Corp. or their respective Affiliates.

8.8 BLACK LUNG MATTERS. After the Closing, and subject to Arch's and Acquisition Corp.'s right to indemnity for ARCO's and/or Delta Housing's breach of its representation and warranty in Section 4.21 of this Agreement, Acquisition Corp. shall pay or cause the ARCO Parties to pay all liabilities of ARCO or Delta Housing under the Federal Mine Safety and Health Act of 1977, as amended, and applicable Federal and state laws for claims for disability or death due to "black lung" or pneumoconiosis, whenever created.

8.9 TRANSFEREE TERMINATION BY ARCH.

(a) In the event the employment of any Transferee is terminated for any or no reason following the Closing Date, ARCO shall have no liability with respect to any severance or other post-employment benefits applicable to such termination, and Arch shall indemnify and hold harmless ARCO, Delta Housing or their Affiliates for all losses, claims, damages, liabilities, costs and expenses (including any attorney fees) arising out of or relating to any termination of employment or any severance or other post-employment benefit with respect to the Transferees following the Closing Date. Without limiting the foregoing, Arch agrees to defend and indemnify ARCO, Delta Housing or their Affiliates for any losses, claims, damages, liabilities, costs and expenses (including any attorney fees) arising out of or relating to any claim for severance benefits for whatever reason or basis, including, without limitation, a change of a Transferee's terms and conditions of employment with Arch such as a change in compensation or employee benefit plans.

(b) Without limiting the generality of the foregoing, in the event the employment of any Transferee is terminated for any or no reason, other than for cause in accordance with Arch's applicable disciplinary procedures, if any, within one year following the Closing Date, Arch shall provide such Transferee severance benefits, including, without limitation, the payment of an allowance and the continuation of medical and dental coverage and the R-60, in accordance with the provisions of the Atlantic Richfield Special Termination Allowance Plan, as amended, and the Atlantic Richfield Termination Allowance Plan Policy Provisions copies of which are attached hereto as Exhibit 8.9(b), and any individual severance arrangement as set forth in Section 4.17 of the Disclosure Schedule applicable to the Transferees prior to the Closing Date.

(c) Notwithstanding anything else in this Agreement, Acquisition Corp. shall not be required to provide severance benefits for any of the individuals set forth in Section 8.9(c) of the Disclosure Schedule.

ARTICLE 9
TAXES

9.1 ARCO TAX MATTERS.

(a) ARCO will prepare and file or cause to be prepared and filed all Tax Returns for the ARCO Parties required to be filed prior to the Closing Date with the appropriate United States, state, local and foreign governmental entities for any taxable period of the ARCO Parties that ends on or before the Closing Date (the "PRE-CLOSING TAX PERIOD"). ARCO will make all payments shown thereon as owing with respect to any such Tax Return. ARCO will prepare and, if required to do so by applicable law, deliver to the Company for signing and filing any state income Tax Returns of the ARCO Parties with respect to any Pre-Closing Tax Period (including any short period) that have not been filed prior to the Closing Date. The Company will make all payments shown thereon as owing with respect to any such Tax Returns.

(b) Except as otherwise provided in Section 9.1(a) or (c), the Company will prepare and file or cause to be prepared and filed all Tax Returns for the ARCO Parties that are required to be filed with the appropriate United States, state, local and foreign governmental entities for all periods as to which such Tax Returns are due after the Closing Date. The Company will pay or cause to be paid all taxes required to be paid with respect to such Tax Returns.

(c) With respect to any taxable period that would otherwise include but not end on the Closing Date, to the extent permissible pursuant to applicable law, ARCO will, and the Company will cause the ARCO Parties to, (i) take all steps as are or may be reasonably necessary, including the filing of elections or returns with applicable taxing authorities, to cause such period to end on the Closing Date; or (ii) if clause (i) is inapplicable, report the operations of the ARCO Parties only for the portion of such period ending on or immediately before the Closing Date in a combined, consolidated, or unitary Tax Return filed by ARCO, notwithstanding that such taxable period does not end on the Closing Date. If clause (ii) applies to a taxable period of the ARCO Parties, the portion of such taxable period included in such return filed by ARCO will be treated as a Pre-Closing Tax Period described in Section 9.1(a) and Arch will not be responsible for filing such return for such year pursuant to Section 9.1(b).

(d) In order to assist ARCO in the preparation of all Tax Returns that ARCO is required to prepare pursuant to Section 9.1(a), the Company will prepare or cause the ARCO Parties to prepare and deliver within 60 days of receipt ARCO's standard Federal and state tax return data gathering packages relating to the ARCO Parties. In addition to providing such packages, the Company will promptly provide or cause to be provided to ARCO such other information as ARCO may reasonably request (including access to books, records and personnel) in order for the operations of the ARCO Parties to be properly reported in such Tax Returns, for the preparation for any Tax audit or for the prosecution or defense of any claim, suit or proceeding relating to Taxes.

(e) To the extent refunds of Taxes are not recorded on the Closing Date Balance Sheet, the Company will pay or cause to be paid to ARCO all refunds or credits of Taxes (including any interest thereon) received by the Company after the Closing Date and attributable to Taxes paid by ARCO with respect to any Pre-Closing Tax Period. Such payment will be

made to ARCO within 30 days after receipt of any such refund from or allowance of such credit by the relevant taxing authority.

(f) ARCO will indemnify and hold the Company harmless from and against any and all liability for any taxable period as a result of Treasury Regulation Section 1.1502-6 (or any comparable provision of state or local law) for taxes of any corporation or other entity, other than the ARCO Parties, which is or has been affiliated with ARCO.

9.2 ARCH TAX MATTERS.

(a) Arch will prepare and file or cause to be prepared and filed all Federal and state income Tax Returns for AOW required to be filed with the appropriate United States, state, local and foreign governmental entities for any taxable period of such member that ends on or before the Closing Date (the "ARCH PRE-CLOSING TAX PERIOD"). Arch will prepare and, if required to do so by applicable law, deliver to the Company for signing and filing any state income Tax Returns of AOW with respect to any Arch Pre-Closing Tax Period (including any short period) that have not been filed prior to the Closing Date. Arch will make all payments shown thereon as owing with respect to any such Tax Returns.

(b) Except as otherwise provided in Section 9.2(a), the Company will prepare and file or cause to be prepared and filed all Tax Returns for AOW that are required to be filed with the appropriate United States, state, local and foreign governmental entities for all periods as to which such Tax Returns are due after the Closing Date. The Company will pay or cause to be paid all taxes required to be paid with respect to such Tax Returns.

(c) With respect to any taxable period that would otherwise include but not end on the Closing Date, to the extent permissible pursuant to applicable law, Arch will, and the Company will cause AOW to, (i) take all steps as are or may be reasonably necessary, including the filing of elections or returns with applicable taxing authorities, to cause such period to end on the Closing Date; or (ii) if clause (i) is inapplicable, report the operations of AOW only for the portion of such period ending on or immediately before the Closing Date in a combined, consolidated, or unitary Tax Return filed by Arch, notwithstanding that such taxable period does not end on the Closing Date. If clause (ii) applies to a taxable period of AOW, the portion of such taxable period included in such return filed by Arch will be treated as an Arch Pre-Closing Tax Period described in Section 9.2(a) and the Company will not be responsible for filing such return for such year pursuant to Section 9.2(b).

(d) In order to assist Arch in the preparation of all Tax Returns that Arch is required to prepare pursuant to Section 9.2(a), the Company will prepare or cause AOW to prepare and deliver within 60 days of receipt Arch's standard Federal and state tax return data gathering packages relating to AOW. In addition to providing such packages, the Company will promptly provide or cause to be provided to Arch such other information as Arch may reasonably request (including access to books, records and personnel) in order for the operations of AOW to be properly reported in such Tax Returns, for the preparation for any Tax audit or for the prosecution or defense of any claim, suit or proceeding relating to Taxes.

(e) The Company will pay or cause to be paid to Arch all refunds or credits of income taxes (including any interest thereon) received by the Company after the Closing Date and attributable to income taxes paid by Arch with respect to any Arch Pre-Closing Tax Period. Such payment will be made to Arch within 30 days after receipt of any such refund from or allowance of such credit by the relevant taxing authority.

(f) Arch will indemnify and hold the Company harmless from and against any and all liability for any taxable period as a result of Treasury Regulation Section 1.1502-6 (or any comparable provision of state or local law) for taxes of any corporation or other entity, other than AOW, which is or has been affiliated with Arch.

ARTICLE 10
INDEMNIFICATION

10.1 ARCH'S AND ACQUISITION CORP.'S INDEMNIFICATION. Subject to the limitations set forth in this Article 10, Arch and Acquisition Corp., jointly and severally, shall indemnify and hold harmless each of ARCO, Delta Housing and their respective officers, directors, employees, agents and Affiliates, other than the ARCO Parties (collectively, the "ARCO INDEMNITEES") from and against any and all Losses to which they or any of them may become subject, including as a result of claims by third parties, to the extent caused by:

(a) any breach or default in performance by Arch, Acquisition Corp. or the Company of any covenant, obligation or agreement of Acquisition Corp. contained in this Agreement, including those obligations of Arch or Acquisition Corp. set forth in Articles 3, 7, 8 and 9 hereof, specifically including any covenant, obligation or agreement of Arch or Acquisition Corp. in respect of Environmental Liabilities related to the Properties as provided in Section 7.14, and in respect of the Other Liabilities as provided in Section 7.16(a);

(b) any breach of any representation or warranty made by Arch, any Arch Parties or the Company in this Agreement, or in any certificate, instrument or other document delivered by or on behalf of Arch or any Arch Party at the Closing;

and as otherwise expressly provided for in this Agreement, including in respect of Transfer Taxes as provided in Section 2.5.

10.2 ARCO'S AND DELTA HOUSING'S INDEMNIFICATION. Subject to the limitations set forth in this Article 10, ARCO and Delta Housing, jointly and severally, shall indemnify and hold harmless Arch, Acquisition Corp. and their respective officers, directors, employees, agents and Affiliates, including after the Closing the ARCO Parties and their officers, directors, employees, agents and Affiliates, (collectively, the "ARCH INDEMNITEES") from and against any and all Losses to which they or any of them may become subject, including as a result of claims by third parties, to the extent caused by;

(a) any breach or default in performance by ARCO or Delta Housing of any covenant, obligation or agreement of ARCO or Delta Housing contained in this Agreement, including those obligations of ARCO and Delta Housing set forth in Articles 3, 7, 8 and 9 hereof,

specifically including any covenant, obligation or agreement of ARCO or Delta Housing in respect of Environmental Liabilities related to the ownership or operation of the Other Properties, as provided in Section 7.15 and in respect of certain Tax liabilities under Section 9.1(f);

(b) any breach of any representation or warranty made by ARCO or Delta Housing in this Agreement or in any certificate, instrument or other document delivered by or on behalf of ARCO or Delta Housing at the Closing;

(c) [Confidential Treatment Requested]*

10.3 MONETARY LIMITATION.

(a) As used in this Agreement, "LOSSES" shall mean any losses, claims, damages, liabilities, out-of-pocket costs and expenses (including judgment costs of settlement and reasonable attorneys', consultants' and experts' fees). "OTHER LOSSES" shall mean any Losses as defined in the Purchase Agreement. "COMBINED Losses" shall mean the aggregate of all Losses of Arch Indemnitees and all Other Losses of Arch Indemnitees that ARCO, ARCO Uinta or Delta Housing are obligated to indemnify against pursuant to this Agreement or pursuant to the Purchase Agreement. Notwithstanding the foregoing, the dollar amount of any Losses shall be determined after taking into account the limitations set forth in Section 10.6(d).

(b) ARCO, ARCO Uinta and Delta Housing shall have no obligation to indemnify any Arch Indemnitee pursuant to Section 10.2(a) or Section 10.2(b) (other than for any breach of the representations, warranties or covenants set forth in Sections 4.6, 4.12(b), 4.26 and 7.15) unless and until the Combined Losses incurred or sustained by all Arch Indemnitees exceeds $25 million (provided that no individual Loss or Other Loss of less than $500,000 shall be counted against such $25 million), and then only for the excess over $25 million. In addition, the liability of ARCO, ARCO Uinta and Delta Housing to indemnify the Arch Indemnitees for Combined Losses other than Losses arising under Sections 4.6, 4.26, 7.15, 7.21 and 10.2(c) shall in no event exceed $500 million in the aggregate.

10.4 NATURE AND SURVIVAL; TIME LIMITS.

(a) All representations and warranties set forth in Articles 4, 5 and 6 shall survive the Closing and continue in effect until the first anniversary of the Closing Date, at which time any and all liability arising out of or relating to such representations and warranties shall terminate provided that ARCO's and Delta Housing's representations and warranties set forth in Section 4.6 as to title of the Contributed ARCO Interests to which Acquisition Corp.'s indemnification obligations apply shall survive the Closing for three years. Any claim against any party hereto for indemnification pursuant to this Agreement as a result of any breach of representation or warranty made by such party must be made promptly, and in all events within the period of time during which such representation or warranty survives the Closing pursuant to this Section 10.4(a), if any.

(b) Except for the representations and warranties described in Section 10.4(a), all covenants, obligations and agreements of the parties set forth in this Agreement, including those obligations set forth in Articles 7, 8 and 9 hereof, shall survive indefinitely.

10.5 LIMITATION ON REMEDIES; MITIGATION. The indemnification provided in this Agreement, subject to any applicable limitations thereto set forth in this Agreement, shall be the sole and exclusive remedy available to a party for any breach, default or violation of this Agreement by the other party. The Indemnified Party shall use all reasonable efforts to mitigate any Losses.

10.6 GENERAL PROVISIONS. In the case of any claim for indemnification brought pursuant to this Agreement:

(a) The party entitled to indemnification (the "INDEMNIFIED PARTY") shall notify the party obligated to provide indemnification (the "INDEMNIFYING PARTY") promptly upon (i) receipt of notice of the commencement of the claim by a third party for which indemnification is sought pursuant to this Agreement; (ii) becoming aware of a claim for indemnification not involving a claim by a third party, and (iii) the occurrence of any material event or change with respect to any ongoing claim in writing and in reasonable detail, and within any applicable time limits specified in this Agreement.

(b) In case any such claim is brought against any Indemnified Party, and it notifies the Indemnifying Party of the commencement thereof, or in respect of any ongoing action, the Indemnifying Party will be entitled to participate therein and, to the extent it may wish, jointly with any other Indemnifying Party similarly notified, to assume the defense thereof. Subsequent to such assumption of defense, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof; PROVIDED, HOWEVER, that the Indemnified Party shall thereafter have the right to participate in the defense of such claim and to be represented, solely at its expense, by advisory counsel selected by it. In all cases in which the Indemnifying Party assumes the defense of such claim, the Indemnifying Party shall control such defense, and any settlement of such claim shall require the consent of the Indemnified Party, which consent may not be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary contained in this Section 10.6, the Indemnified Party shall have the right to employ separate counsel at its sole cost and expense if there shall be available one or more defenses or one or more counterclaims available to the Indemnified Party which conflicts with one or more defenses or one or more claims or counterclaims available to the Indemnifying Party. Whether or not the Indemnifying Party shall have assumed the defense of a claim for which the Indemnified Party is entitled to be indemnified, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) The Indemnified Party will, at the expense of the Indemnifying Party, cooperate and consult with the Indemnifying Party in the defense of any such action and shall furnish any documents and endeavor to make available any witnesses under its control.

(d) Any indemnification payment shall be (i) limited to the Losses actually incurred (after giving effect to the Present Value Benefit, realized or realizable by the Indemnified Party in connection with or as a result of the incurrence of the Loss for which the indemnity payment is to be made) and shall not include punitive damages, indirect damages, or consequential damages (including lost profits) incurred by the Indemnified Party, (ii) net of insurance proceeds received by the Indemnified Party (and the amount of indemnification payable under this Agreement shall not include the amount of any insurance proceeds actually recovered by the Indemnified Party with respect to a Loss) and (iii) in the case of Arch Indemnitees net of any reserves of TBCC reflected on the Interim Date Balance Sheet applicable thereto. The foregoing limitations shall

apply before application of the monetary limitations specified in Section 10.3(b). If the amount to be netted hereunder from any payment by the Indemnifying Party is determined after the Indemnifying Party has already paid any amount required to be paid pursuant to this Agreement, the Indemnified Party shall repay to the Indemnifying Party, promptly after such determination, any amount that the Indemnifying Party would not have had to pay pursuant to this Agreement had such determination been made at the time of such payment.

10.7 TAX TREATMENT. Any indemnity payment made under this Article shall be treated for tax purposes as a contribution to the Company (and a related increase in tax basis) by the member who makes, or is affiliated with the party who makes, such payment unless otherwise required by law. No payment under this Article 10 shall have a net effect on the capital accounts or percentage interests of the members in the Company.

10.8 COOPERATION AND COMMUNICATION.

(a) The parties to this Agreement (i) acknowledge that they are subject to a covenant of good faith and fair dealing with respect to this Agreement and (ii) agree to use commercially reasonable efforts to communicate with and cooperate with each other with respect to any dealings they may have with other parties which could reasonably be expected to affect the obligations of the parties under this Agreement.

(b) [Confidential Treatment Requested]*

(c) [Confidential Treatment Requested]*

(d) [Confidential Treatment Requested]*

(e) Acquisition Corp. and ARCO shall execute an Assignment and Assumption Agreement (the "ASSIGNMENT AND ASSUMPTION AGREEMENT") in a form acceptable to ARCO and Arch, whereby ARCO will assign, and TBCC will assume, all rights and obligations of ARCO pursuant to the Conditional Agreement identified in the Disclosure Schedule (the "CONDITIONAL AGREEMENT"). [Confidential Treatment Requested]*

10.9 EFFECTING THE INDEMNITY. Any indemnity payment to be made by a party hereto shall be made to the Company, except as set forth in the next sentence, notwithstanding any other provision of the Agreement. Any indemnity payment which is intended to make another party whole for out of pocket costs incurred by that party shall be made to the member that incurred, or is affiliated with the person that incurred, those costs.

ARTICLE 11
CONDITIONS TO CLOSING

11.1 CONDITIONS PRECEDENT TO OBLIGATIONS OF ARCH AND ACQUISITION CORP. The obligations of Arch and Acquisition Corp. under this Agreement are subject to the satisfaction (or waiver by Arch), prior to or on the Closing Date, of each of the following conditions:

(a) Any breach or breaches of the representations and warranties of ARCO or Delta Housing contained in this Agreement or of ARCO and ARCO Uinta in the Purchase Agreement at and as of the Closing Date, after giving effect to such representations and warranties as though made on and as of the Closing Date (except for representations and warranties made as of a specific date, which shall be given effect as of such date), that alone or in the aggregate do not have a Material Adverse Effect.

(b) ARCO and Delta Housing shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by ARCO or Delta Housing prior to or at the Closing, including notifications under Section 7.3.

(c) The waiting period under the HSR Act shall have expired or been terminated, and neither the Antitrust Division nor the FTC shall have indicated its objection to, or its intent to challenge as violative of any Federal laws, any of the transactions contemplated by this Agreement.

(d) Arch shall have received an opinion, dated the Closing Date, of counsel employed by ARCO, in form and substance reasonably acceptable to Arch and Acquisition Corp.

(e) There shall not be in effect any injunction or order issued by any court or administrative agency of competent jurisdiction preventing in any material respect the consummation of the transactions contemplated by this Agreement on the Closing Date.

(f) Arch shall have received such resignations of the officers and directors of the ARCO Parties as shall have been requested by Arch in writing not less than 30 days prior to the Closing Date, subject to the provisions of Article 8.

(g) Since the Effective Date, there have been no adverse events or occurrences other than adverse events or occurrences as a result of general economic conditions or other conditions affecting the industry in which the ARCO Parties operate (including fluctuations in coal prices and legislative or regulatory conditions) that together with the total amount of claims of the Arch Indemnitees for ARCO's or Delta Housing's breaches of their representation or warranties contained in this Agreement or in the Purchase Agreement as of the Closing Date, have a Material Adverse Effect.

(h) The transactions contemplated in the Purchase Agreement shall be consummated concurrently with the Closing.

If the Closing occurs, nothing in this Section 11.1 shall be construed to limit Arch's or Acquisition Corp.'s indemnification rights or the amount of ARCO's or Delta Housing's indemnification obligations, and it is expressly agreed that unless waived in writing by Arch or Acquisition Corp. at or prior to the Closing, any remedy available to Arch or Acquisition Corp. for ARCO's or Delta Housing's breach of its representations and warranties or substantial failure to perform or comply with any obligation or covenant, including ARCO's or Delta Housing's indemnification obligations after the Closing in respect of such breaches and failures occurring on or prior to Closing, shall survive Closing and be unaffected thereby.

11.2 CONDITIONS PRECEDENT TO OBLIGATIONS OF ARCO AND DELTA HOUSING. The obligations of ARCO and Delta Housing under this Agreement are subject to the satisfaction (or waiver by ARCO and Delta Housing), prior to or on the Closing Date, of each of the following conditions:

(a) The representations and warranties of Arch or Acquisition Corp. contained in this Agreement shall be true and correct in all material respects at and as of the Closing Date, with the same effect as though made on and as of the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct in all material respects as of such date).

(b) Arch and Acquisition Corp. shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Arch and Acquisition Corp. prior to or at the Closing.

(c) The waiting period under the HSR Act shall have expired or been terminated, and neither the Antitrust Division nor the FTC shall have indicated its objection to, or its intent to

challenge as violative of any Federal laws, any of the transactions contemplated by this Agreement.

(d) ARCO shall have received an opinion, dated the Closing Date, of Jeffry N. Quinn, counsel for Arch and Acquisition Corp., in form and substance reasonably acceptable to ARCO and Delta Housing.

(e) There shall not be in effect any injunction or order issued by any court or administrative agency of competent jurisdiction preventing the consummation of the transactions contemplated by this Agreement on the Closing Date.

(f) The transactions contemplated in the Purchase Agreement shall be consummated concurrently with the Closing.

(g) Any consents necessary to transfer operating permits for mines owned by either of the ARCO Parties shall have been obtained unless Arch and Acquisition Corp. shall have agreed to indemnify ARCO and the ARCO Parties from any Losses arising out of the failure to obtain such consents.

If the Closing occurs, nothing in this Section 11.2 shall be construed to limit ARCO or Delta Housing's indemnification rights or the amount of Arch or Acquisition Corp.'s indemnification obligations, and it is expressly agreed that unless waived in writing by ARCO or Delta Housing at or prior to the Closing, any remedy available to ARCO or Delta Housing in writing for Arch's or Acquisition Corp.'s breach of their representations and warranties or substantial failure to perform or comply with any obligation or covenant, including Arch's and Acquisition Corp.'s indemnification obligations after the Closing in respect of such breaches and failures occurring on or prior to Closing, shall survive Closing and be unaffected hereby.

ARTICLE 12
TERMINATION OF AGREEMENT

12.1 TERMINATION BEFORE CLOSING. This Agreement may be terminated at any time before Closing:

(a) by the mutual consent of ARCO, Delta Housing, Acquisition Corp. and Arch in writing;

(b) by Arch (i) if there have been breaches by ARCO or Delta Housing of any representations or warranties of ARCO and/or Delta Housing contained in this Agreement or by ARCO and/or ARCO Uinta in the Purchase Agreement that alone or in the aggregate have a Material Adverse Effect, and if the breaches have continued for a period of 30 days following Arch's notification to ARCO of such breaches, or (ii) if events have occurred which have made it impossible to satisfy the conditions precedent to the obligations of Arch and Acquisition Corp. set forth in Section 11.1;

(c) by ARCO (i) if there have been material breaches by Arch or Acquisition Corp. of any representations or warranties of Arch and/or Acquisition Corp. contained in this Agreement or in the Purchase Agreement, and if the breaches have continued for a period of 30 days following ARCO's notification to Arch of such breaches, or (ii) if events have occurred which have made it impossible to satisfy the conditions precedent to the obligations of ARCO and Delta Housing set forth in Section 10.2;

(d) by Arch if Closing has not occurred on or prior to 75 days after the Effective Date other than primarily as a result of Arch's or Acquisition Corp.'s breach or default of this Agreement; or

(e) by ARCO if the Closing has not occurred on or prior to 75 days after the Effective Date other than primarily as a result of ARCO or Delta Housing's breach or default of this Agreement.

12.2 EFFECT OF TERMINATION. If this Agreement is terminated pursuant to Section 12.1, all further obligations of the parties under this Agreement will terminate and there shall be no liability on the part of any party to this Agreement, except for material willful breaches of and intentional misstatements in or pursuant to this Agreement prior to the time of such termination; provided, however, that the obligations in Sections 7.1(b), 7.5, 7.6, 12.2, 13.3 and 13.10 shall survive the termination of this Agreement.

ARTICLE 13
MISCELLANEOUS

13.1 ENTIRE AGREEMENT. This Agreement, including the Exhibits and Disclosure Schedule, the Company Agreement, Purchase Agreement and the Tax Sharing Agreement, set forth the entire agreement and understanding of the parties in respect of the transactions contemplated herein and supersedes any previous agreements and understandings between the parties with respect thereto.

13.2 CONSTRUCTION. This Agreement is the result of arms-length negotiations between, and has been prepared and reviewed by, each party hereto and its respective counsel. Accordingly, this Agreement shall be deemed to be the product of each party hereto.

13.3 GOVERNING LAW. The validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties hereto shall be governed by the substantive laws of the State of Delaware without regard to the principles of conflict of laws of the State of Delaware or any other jurisdiction (except those that cannot be waived) that would call for the application of the substantive law of any jurisdiction other than the State of Delaware.

13.4 NOTICES. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing, by facsimile, by overnight courier or by registered or certified mail, postage prepaid and return receipt requested, and shall be deemed to have been duly given or made upon: (i) delivery by hand, (ii) one business day after being sent by overnight courier, (iii) four business days after being deposited in the United States mail, postage prepaid,

or (iv) in the case of transmission by facsimile, when confirmation of receipt is obtained. Such communications shall be addressed and directed to the parties listed below as follows:

If to ARCO or Delta Housing:	Atlantic Richfield Company 515 South Flower Street Los Angeles, California 90071 Facsimile: (213) 486-0170 - Treasurer Facsimile: (213) 486-1544 - General Counsel Attention: Treasurer Attention: General Counsel
If to Arch or Acquisition Corp.:	Arch Coal, Inc. CityPlace One, Suite 300 St. Louis, Missouri 63141 Facsimile: 314-994-2734 Attention: Jeffry N. Quinn
If to the Company:	Arch Western Resources LLC CityPlace One, Suite 300 St. Louis, Missouri 63141 Facsimile: 314-994-2734 Attention: Jeffry N. Quinn

13.5 WAIVER. Waivers of or consents to departures from the provisions hereof may be given; PROVIDED, however, that the same shall be in writing and be signed by the parties hereto. No such waiver or consent shall be construed as a waiver of or consent to any other departure from any such provisions or any other provisions hereof.

13.6 BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. No assignment of this Agreement or of any rights or obligations hereunder may be made, in whole or in part, by any party (by operation of law or otherwise) without the prior written consent of the other parties hereto, and any purported assignment without consent shall be void.

13.7 AMENDMENT. This Agreement may not be amended, modified or supplemented unless the same shall be in writing and signed by the parties hereto.

13.8 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one and the same document.

13.9 NO THIRD PARTY BENEFICIARIES. The terms, agreements and provisions of the parties set forth in this Agreement are not intended for, nor shall they be for the benefit of or enforceable by, any Person not a party hereto, including each of the ARCO Parties.

13.10 JURISDICTION; SERVICE OF PROCESS

(a) Each party to this Agreement hereby irrevocably submits itself to the non-exclusive jurisdiction of the Supreme Court for the State of New York, sitting in the Borough of Manhattan, or the United States District Court for the Southern District of New York, (i) for the purposes of any suit, action or other proceeding brought by any other party, or its respective successors or assigns arising out of the transactions contemplated by this Agreement or the Purchase Agreement, (ii) to enforce a resolution, settlement, order or award made pursuant thereto, or any obligation for the payment of money contained herein. To the extent permitted by applicable Law, each party to this Agreement hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that (a) it is not personally subject to the jurisdiction of the above-named courts, (b) the suit, action or proceeding is brought in an inconvenient forum, (c) the venue of the suit, action or proceeding is improper, or (d) a resolution, settlement or order made pursuant thereto, or such an obligation for the payment of money, may not be enforced in or by such court. Nothing contained herein shall be deemed to waive the right of a party to seek removal of a matter from state court to Federal court if such removal is otherwise permissible.

(b) Each party to this Agreement hereby consents to service of process on it at the office for service of process set forth below as its office for service of process and additionally irrevocably designates and appoints the person named in Exhibit 13.10(b) as its "Agent" and attorney-in-fact to receive service of process in any action, suit or proceeding with respect to any matter as to which it submits to jurisdiction as set forth above, it being agreed that service upon Agent shall constitute valid service upon the party or its successors or assigns. Each party agrees that (x) the sole responsibilities of the Agent shall be (i) to receive such process, (ii) to send a copy of any such process so received to such party, by registered airmail, return receipt requested, at the address for it set forth in Section 13.4, or at the last address filed in writing by it with the Agent, and (iii) to give prompt telecopied notice of receipt thereof to it at such address (y) the Agent shall have no responsibility for the receipt or nonreceipt by the respective party of such process, nor for any performance or nonperformance by the respective party or its respective successors or assigns, and (z) failure of the Agent to send a copy of any such process or otherwise to give notice thereof to the respective party shall not affect the validity of such service or any judgment in any action, suit or proceeding based thereon. If service of process cannot be effected in the foregoing manner, each party further irrevocably consents to the service of process in any action, suit or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, return receipt requested, to it at its address set forth in Section 13.4 hereof. The foregoing, however, shall not limit the right of the party to serve process in any other manner permitted by Law. Any judgment against a party in any suit for which such party has no further right of appeal shall be conclusive, and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and of the amount of any indebtedness or liability of such party therein described; PROVIDED, HOWEVER, that the plaintiff may at its option bring suit, or institute other judicial proceedings, against such party or any of its assets in the courts of any country or place where such party or such assets may be found. Each party further covenants and agrees that for three years following the Closing Date, it shall maintain a duly appointed agent for the service of summonses and other legal processes in New York.

For purposes of this Section 13.10, the Agent and offices for service of process for each of the parties shall be as set forth in Exhibit 13.10(b) or such other person or offices as shall be designated in writing by any party to the other parties.

13.11 DISCLAIMER FOR COMMUNICATIONS. Except as and to the extent set forth in this Agreement, ARCO, Delta Housing and their respective Affiliates make no representations, promise, covenant or warranty regarding the ARCO Parties, their assets, business, operations, liabilities or obligations, or otherwise, and disclaim all liability and responsibility for any representation, warranty, disclosure or statement made or communicated (orally or in writing) to Arch, Acquisition Corp. or their respective Affiliates or to any officer, stockholder, director, employee, agent, consultant or representative of Arch, Acquisition Corp. or their respective Affiliates, including any information provided by any investment banking firm or other agent of ARCO or Delta Housing, or any opinion, statement or advice which may have been provided to Arch, Acquisition Corp. or their respective Affiliates by any officer, stockholder, director, employee, agent, consultant or representative of ARCO, Delta Housing or the ARCO Parties.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement as of the date first written above.

ARCH COAL, INC.

/s/ David B. Peugh

By: David B.Peugh
Title: Vice President

ARCH WESTERN ACQUISITION CORPORATION

/s/ Jeffry N. Quinn

By: Jeffry N. Quinn
Title: President

ATLANTIC RICHFIELD COMPANY

/s/ Terry G. Dallas

By: Terry G. Dallas
Title: Senior Vice President and Treasurer

DELTA HOUSING INC.

/s/ Charles P. Cooley

By: Charles P. Cooley
Title: Treasurer

ARCH WESTERN RESOURCES LLC

/s/ Jeffry N. Quinn

By: Jeffry N. Quinn
Title: President

EXHIBIT 2.3

LIMITED LIABILITY COMPANY AGREEMENT

OF

ARCH WESTERN RESOURCES LLC,

A DELAWARE LIMITED LIABILITY COMPANY

dated as of June 1, 1998

between

ARCH WESTERN ACQUISITION CORPORATION

and

DELTA HOUSING INC.

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SCHEDULES

LIMITED LIABILITY COMPANY AGREEMENT
OF
ARCH WESTERN RESOURCES LLC,
A DELAWARE LIMITED LIABILITY COMPANY

This LIMITED LIABILITY COMPANY AGREEMENT of ARCH WESTERN RESOURCES LLC (the "Company") is entered into as of the 1st day of June, 1998, by and between Arch Western Acquisition Corporation, a Delaware corporation ("Arch Member") directly or indirectly owned by Arch Coal, Inc., a Delaware corporation ("Arch"), and Delta Housing Inc., a Delaware corporation ("ARCO Member") directly or indirectly owned by Atlantic Richfield Company, a Delaware corporation ("ARCO").

WHEREAS, on March 17, 1998 (the "Formation Date"), Arch Member caused the Company to be formed as a Delaware limited liability company; and

WHEREAS, on the date hereof, Arch Member has acquired for cash, among other things (i) a 65% membership interest in Canyon Fuel Company, a Delaware limited liability company ("Canyon Fuel"), (ii) all of the membership interests in Mountain Coal Company L.L.C., a Delaware limited liability company ("MCC"), and (iii) all of the membership interests in ARCO Uinta Sub, a Delaware limited liability company ("AUS"), in each case from ARCO Uinta Coal Company, a Delaware corporation ("ARCO Uinta"), pursuant to that certain Purchase and Sale Agreement dated as of March 22, 1998 between Arch, Arch Member, ARCO and ARCO Uinta (the "Purchase and Sale Agreement"), and contributed such assets, together with membership interests owned by Arch Member in Arch of Wyoming LLC, a Delaware limited liability company ("Arch Wyoming"), to the Company in exchange for membership interests in the Company; and

WHEREAS, on the date hereof ARCO has (i) contributed certain assets to Thunder Basin Coal Company L.L.C., a Delaware limited liability company ("TBCC"), and has contributed all of the membership interests in TBCC to the Company in exchange for interests in the Company, (ii) contributed such membership interests in the Company to ARCO Member, and (iii) contributed all of the stock owned by it of L.A. Export Terminal Inc., a Delaware corporation ("LAXT"), and certain other assets, to AUS in exchange for interests in AUS, and ARCO Member has contributed its membership interests in State Leases LLC, a Delaware limited liability company ("SLLLC"), to the Company in exchange for membership interests in the Company; and

WHEREAS, certain of the foregoing transactions have been effected pursuant to a Limited Liability Contribution Agreement, dated as of March 22, 1998 (the "Contribution Agreement"), among Arch, Arch Member, ARCO, ARCO Member and the Company, providing for, among other things, additional capitalization of the Company and the admission of each of Arch Member, ARCO and ARCO Member as members or continuing members of the Company (each, a "Member");

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Members hereby agree as follows:

SECTION 1

GENERAL PROVISIONS

1.1 MAINTENANCE

The Members hereby agree to maintain the Company as a limited liability company under and pursuant to the Act (as hereinafter defined) and this Agreement. Except as provided in this Agreement, the rights, duties, liabilities and obligations of the Members and the administration, dissolution, winding up and termination of the Company shall be governed by the Act.

1.2 NAME

The name of the Company shall be Arch Western Resources LLC and all business of the Company shall be conducted in such name or, in the discretion of the Managing Member, under any other names (but excluding a name that includes the name ARCO, Atlantic Richfield or any derivation thereof, unless ARCO Member has consented thereto).

1.3 PURPOSE

(1) Subject to, and upon the terms and conditions of this Agreement, the purposes and business of the Company shall be to manage and maintain a business engaged in the production trading, marketing and sale of coal, to acquire, hold, own, operate, manage, finance, encumber, sell, or otherwise dispose of and otherwise use the Property, and to enter into any lawful transaction and engage in any lawful activities in furtherance of the foregoing purposes and as may be necessary, incidental or convenient to carry out the business and purposes of the Company, including the issuance and performance of the Company Debt and any Successor Debt.

(2) The Company shall have all the powers now or hereafter conferred by the laws of the State of Delaware on limited liability companies formed under the Act and, subject to the terms of this Agreement, may do any and all lawful acts or things that are necessary, appropriate, incidental or convenient for the furtherance and accomplishment of the purposes of the Company. Without limiting the generality of the foregoing, the Company may enter into, deliver and perform all contracts, agreements and other undertakings and engage in all activities and transactions as may be necessary or appropriate to carry out its purposes and conduct its business.

(3) Contemporaneously with the execution and delivery of this Agreement, the transactions contemplated by the Purchase and Sale Agreement and the Contribution Agreement shall have been consummated, pursuant to which, among other things, Arch Member

has contributed to the Company the Arch Sub Membership Interests and the Cash Contribution, and ARCO Member has contributed to the Company the ARCO Sub Membership Interests and certain other assets and rights as provided in the Contribution Agreement.

(4) Simultaneously with the execution and delivery of this Agreement, the Company has issued the Company Debt and ARCO Member has executed and delivered the ARCO Member Guarantee.

1.4 PRINCIPAL EXECUTIVE OFFICE

The principal executive office of the Company shall be located in such place as determined by the Managing Member, and the Managing Member may change the location of the principal executive office of the Company to any other place, within or without the State of Delaware, upon ten Business Days' prior notice to each of the Members, PROVIDED that such principal executive office shall be located in the United States. The initial principal executive office of the Company shall be located at Suite 300, CityPlace One, St. Louis, Missouri 63141. The Managing Member may establish and maintain such additional offices and places of business of the Company, within or without the State of Delaware, as it deems appropriate.

1.5 TERM

The term of the Company commenced on the Formation Date and shall continue until the winding up and liquidation of the Company and its business is completed following a Liquidating Event, as provided in Section 8.

1.6 FILINGS; AGENT FOR SERVICE OF PROCESS

(1) The Managing Member shall take any and all actions reasonably necessary to perfect and maintain the status of the Company as a limited liability company under the laws of Delaware. The Managing Member shall cause amendments to the Certificate of Formation of the Company (the "Certificate") to be filed whenever required by the Act. The Members shall be provided with copies of each document filed or recorded as contemplated by this Section 1.6 promptly following the filing or recording thereof.

(2) The Managing Member shall cause to be filed an original or amended Certificate and shall take any and all other actions as may be reasonably necessary to perfect and maintain the status of the Company as a limited liability company or similar type of entity under the laws of any other states or jurisdictions in which the Company engages in business.

(3) The registered agent for service of process on the Company shall be CT Corporation or any successor as appointed by the Managing Member in accordance with the Act. The registered office and statutory agent in Delaware shall be as set forth in the Certificate until such time as the registered office or statutory agent is changed in accordance with the Act.

1.7 TITLE TO PROPERTY

No Member shall have any ownership interest in its individual name or right in any Property owned, directly or indirectly, by the Company, and each Member's Interest shall be personal property for all purposes. The Company shall hold all of its Property in the name of the Company or its nominee and not in the name of any Member. Members' Interests shall not be "securities" governed by Article 8 of the Uniform Commercial Code of any jurisdiction, and the Members will neither cause, suffer nor permit any action that would produce a contrary result.

1.8 PAYMENTS OF INDIVIDUAL OBLIGATIONS

The Company's credit and Property shall be used solely for the benefit of the Company, and no Property of the Company shall be transferred or encumbered for, or in payment of, any individual obligation of any Member.

1.9 INDEPENDENT ACTIVITIES

Each Member and any of its Affiliates shall be required to devote only such time to the affairs of the Company as such Member determines in its sole discretion may be necessary to manage and operate the Company to the extent contemplated by this Agreement, and nothing in this Agreement shall preclude any Member from engaging in the coal business or any other business for its own account, whether in the geographic area of any of the Property or otherwise; PROVIDED that ARCO Member and its Affiliates shall not engage in the coal business in the State of Wyoming or the State of Colorado for two years after the date of this Agreement.

1.10 DEFINITIONS

Capitalized words and phrases used in this Agreement have the following meanings:

"Act" means the Delaware Limited Liability Company Act, as the same may be amended from time to time.

"Acceptable Debt Rating" means with respect to any Person, that such Person's unsecured noncredit-enhanced Indebtedness has a rating of at least Ba3 from Moody's Investors Service or at least BB- from Standard & Poors Ratings Group (a division of McGrall Hill, Inc.).

"Accountants" means, as of any time, such firm of nationally recognized independent certified public accountants that, as of such time, has been appointed by the Managing Member as the accountants for the Company.

"Additional Capital Contributions" means, with respect to each Member, the Capital Contributions made by such Member pursuant to Section 2.3, reduced by the amount of any liabilities of such Member assumed by the Company in connection with such Capital

Contributions or which are secured by any Property contributed by such Member as a part of such Capital Contributions.

"Additional Contribution Agreement" means a contribution agreement providing for the contribution of Property or cash to the Company, the terms of which have been approved by the Managing Member.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Allocation Year, after giving effect to the following adjustments: (i) credit to such Capital Account any amounts which such Member is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and (ii) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Affiliate" means, with respect to any Person, any other Person that directly and/or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person. For purposes of this definition, the term "controls" (including its correlative meanings "controlled by" and "under common control with") shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, (i) neither the Company, nor any Person controlled by the Company, shall be deemed to be an Affiliate of any Member or of any Affiliate of any Member and (ii) no Member or any Affiliate thereof shall be deemed to be an Affiliate of any other Member or any Affiliate thereof solely by virtue of its Interest in the Company. As used with respect to ARCO, "Affiliate" shall not include ARCO Chemical Company, a Delaware corporation, or Vastar Resources, Inc., a Delaware corporation. As used with respect to Arch, "Affiliate" shall not include Ashland Inc., a Kentucky corporation.

"Agreement" means this Limited Liability Company Agreement, including all Schedules hereto, as amended from time to time.

"Allocation Year" means (i) the period commencing on the Formation Date and ending on December 31, 1998, (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31, or (iii) any portion of the period described in clause (i) or (ii) for which the Company is required to allocate Profits, Losses, and other items of Company income, gain, loss or deduction pursuant to this Agreement.

"Arch Intercompany Loan" means each loan or advance made by the Company to Arch or an Affiliate of Arch, which shall be evidenced by a demand promissory note of Arch or such Affiliate, shall bear interest payable no less frequently than quarterly from the date made

until paid in full at a rate per annum to be determined by the Managing Member that is no less favorable to the Company than if such loan or advance had been made to ARCH or such Affiliate by an unaffiliated financial institution.

"Arch Sub Membership Interests" means the membership interests owned by Arch Member in Canyon Fuel, MCC, AUS and Arch Wyoming.

"ARCO Assets" shall mean the ARCO Sub Membership Interests (and the assets, rights and properties of each of the entities whose membership interests are included therein) and all other assets and rights contributed to the Company by ARCO or any Affiliate of ARCO pursuant to the Contribution Agreement.

"ARCO Member Guarantee" means the Collection Guaranty Agreement, dated as of even date herewith, executed and delivered by ARCO Member, pursuant to which ARCO Member has guaranteed the Company's obligations under the Company Debt and Successor Debt.**

"ARCO Sub Membership Interests" shall mean the entire membership interest in TBCC, and certain other assets and interests described in the Contribution Agreement.

"Available Cash" means as of any date the cash of the Company as of such date less such portion thereof as the Managing Member determines to reserve for Company expenses, debt payments, sinking fund provisions applicable to the Company Debt, Successor Debt or other Indebtedness of the Company, capital improvements, replacements, and contingencies.

"Base Credit Level" means, with respect to the Interest Ratio or the Indebtedness Ratio, as the case may be, for each calendar year specified in the table below, the applicable ratio set opposite such year:

YEAR	INTEREST RATIO	INDEBTEDNESS RATIO
1998	2.5 : 1	4.5 : 1
1999	2.5 : 1	4.5 : 1
2000 and thereafter	3.0 : 1	3.5 : 1

"Base Credit Level Compliance" means, as to any Person on any date, that such Person (a) had, as of the last day of the fiscal quarter ended next preceding such date, an Interest

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** ARCO Member Guarantee shall provide that ARCO Member shall not be required to extend such guarantee beyond the fifteenth anniversary of the Closing Date.

Ratio not less than the Base Credit Level Interest Ratio applicable on such date, and an Indebtedness Ratio not greater than the Base Credit Level Indebtedness Ratio applicable on such date, or (b) has, on such date, an Acceptable Debt Rating.

"Business Day" means a day of the year on which banks are not required or authorized to close in the State of Missouri or the State of California.

"Capital Account" means, with respect to any Member, the Capital Account maintained for such Member in accordance with the following provisions:

(i) To each Member's Capital Account there shall be credited such Member's respective Capital Contribution, such Member's distributive share of Profits and any items in the nature of income or gain which are allocated pursuant to Section 3.3 or Section 3.4, and the amount of any Company liabilities which are assumed by such Member or secured by any Property distributed to such Member as permitted by this Agreement.

(ii) To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Property distributed or deemed to be distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses and any items in the nature of expenses or losses which are allocated pursuant to Section 3.3 or Section 3.4, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

(iii) In the event all or a portion of an Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Interest.

(iv) In determining the amount of any liability for purposes of subparagraphs (i) and (ii) of this definition of "Capital Account," there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Section 1.704-1(b) of the Regulations, and shall be interpreted and applied in a manner consistent with such Regulations.

"Capital Contribution" means, with respect to any Member, the amount of money and the initial Gross Asset Value of any Property (other than money) contributed to the Company with respect to the Interests in the Company held or purchased by such Member, including Additional Capital Contributions.

"Capitalized Lease Obligation" means, with respect to any Person, the obligation of such Person to pay rent or other amounts under a lease of (or other agreement conveying the

right to use) real or personal property that is required to be classified and accounted for as a capital lease obligation on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with GAAP.

"Cash Contribution" shall mean the contribution by Arch Member to the Company of cash in the amount of $25,000,000 to reimburse ARCO Member for certain expenditures as permitted under Section 707 of the Code), which contribution forms part of Arch Member's Original Capital Contribution.

"Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Common Percentage Interest" means initially 99.5% for Arch Member and 0.5% for ARCO Member, or such other percentage determined by dividing the positive balance in the respective Member's Capital Account (less any Preferred Amount included therein) by the aggregate of the positive capital account balances of all Members Capital Accounts.

"Company" has the meaning specified in the preamble of this Agreement.

"Company Debt" means that certain indebtedness of the Company in the aggregate original principal amount of $675,000,000 incurred by the Company concurrently with the execution and delivery of this Agreement.

"Consolidated EBITDA" means, for any Person whose Base Credit Level Compliance is being determined for any Test Period, the Consolidated Net Income of such Person and its Subsidiaries for such Test Period, increased (to the extent deducted in determining such Consolidated Net Income) by the sum of (i) all taxes of such Person and its Subsidiaries paid or accrued according to GAAP for such Test Period; (ii) Consolidated Interest Expense of such Person and its Subsidiaries for such Test Period; and (iii) depreciation, depletion and amortization and similar non-cash cost recovery expenses (including, to the extent not otherwise included, that percentage of the depreciation, depletion and amortization and such expenses attributable to any Subsidiary of such Person that is not wholly owned equal to the percentage of the equity in such Subsidiary owned by such Person) of such Person and its Subsidiaries for such Test Period determined in accordance with GAAP; PROVIDED, HOWEVER, notwithstanding the foregoing, the Consolidated EBITDA of the Company for each fiscal quarter of the fiscal year ended at December 31, 1997 and for the first two fiscal quarters of the fiscal year ended at December 31, 1998 shall be deemed to be $46,000,000.

"Consolidated Indebtedness" means, for any Person whose Base Credit Level Compliance is being determined for any Test Period, Indebtedness of such Person and its Subsidiaries determined on a consolidated basis in accordance with GAAP as of the last day of such Test Period.

"Consolidated Interest Expense" means (without duplication), with respect to any Person whose Base Credit Level Compliance is being determined for any Test Period, the aggregate amount of interest expense of such Person during such Test Period in respect of all Indebtedness of such Person and its Subsidiaries, including (i) the interest portion of any deferred payment obligation and (ii) the portion of any rental obligation in respect of any Capitalized Lease Obligation allocable to interest expense, all determined on a consolidated basis in accordance with GAAP; PROVIDED, HOWEVER, that for purposes of calculating the Consolidated Interest Expense of the Company and its Subsidiaries for any Test Period, Consolidated Interest Expense for such Test Period shall be reduced by the sum of an amount equal to the interest paid in cash to the Company during such Test Period and, without duplication, the amount of accrued interest recorded by the Company in respect of Arch Intercompany Loans if the obligor thereon is in Base Credit Level Compliance.

"Consolidated Net Income" means, with respect to any Person whose Base Credit Level Compliance is being determined, for any Test Period, the consolidated net income (or loss) of such Person and its Subsidiaries for such Test Period, as determined in accordance with GAAP but without regard to any lease payments to ARCO Member under the Little Thunder Lease, PROVIDED that there shall be excluded (on an after-tax basis):

(i) the income (or loss) of any other Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with such Person, or a Subsidiary of such Person, and the income (or loss) of any other Person, substantially all of the assets of which have been acquired in any manner, realized by such Person prior to the date of acquisition;

(ii) the income (or loss) of any other Person (other than a Subsidiary) in which such Person, or any Subsidiary of such Person, has an ownership interest, except to the extent that any such income has been actually received by such Person, or such Subsidiary, in the form of cash dividends or similar cash distributions;

(iii) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such Test Period;

(iv) any aggregate gain (or any aggregate net loss) during such Test Period arising from the sale, conversion, exchange or other disposition of property (other than in the ordinary course of business);

(v) any gains (or losses) resulting from any writeup, writedown or writeoff of any property;

(vi) any gain from the collection of the proceeds of life insurance policies; and

(vii) any income or gain (or loss) during such Test Period determined in accordance with GAAP resulting from (A) any change in accounting principles, (B) any

prior Test Period adjustments resulting from any change in accounting principles, (C) any other extraordinary items, or (D) any discontinued operations or the disposition thereof.

"Controlled Affiliate" of any Person means the Parent of such Person and each Subsidiary of such Parent.

"Credit Ratios" means, as to any Person, the Interest Ratio and the Indebtedness Ratio of such Person.

"Damages" has the meaning specified in the Tax Sharing Agreement.

"Depreciation" means, for each Allocation Year, an amount equal to the depreciation, amortization, cost depletion, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Allocation Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Allocation Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, cost depletion or other cost recovery deduction for such Allocation Year bears to such beginning adjusted tax basis; PROVIDED, HOWEVER, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Allocation Year is zero, subject to Section 3.6 of this Agreement, Depreciation shall be determined with reference to such beginning Gross Asset Value using the method selected by the Managing Member and agreed to by ARCO Member.

"Dispose" (including its correlative meanings, "Disposed of", "Disposition" and "Disposed"), with respect to any Interest, means to Transfer, pledge, hypothecate or otherwise dispose of such Interest, in whole or in part, voluntarily or involuntarily, except by operation of law in connection with a merger, consolidation or other business combination of the Company and except that such term shall not include any pledge or hypothecation of, or granting of a security interest in, an Interest that is approved by the Managing Member in connection with any financing obtained on behalf of the Company.

"Final Determination" means with respect to any issue or item (i) the execution of a final and irrevocable closing agreement or other settlement agreement with the Internal Revenue Service, (ii) the expiration of the time for filing a claim for refund or, if a refund claim has been timely filed, the expiration of the time for instigating suit in respect of such refund claim, (iii) the expiration of the time for filing a petition with the Tax Court if no such petition has been filed and no suit has been instigated in respect of the subject matter of such petition, or (iv) a final, unappealable decision of any court of competent jurisdiction.

"Fiscal Year" means (i) the period commencing on the Formation Date and ending on December 31, 1998, (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31, or (iii) the period commencing on the immediately preceding January 1 and ending on the date on which all Property is distributed to the Members pursuant to Section 8.2.

"GAAP" means generally accepted accounting principles in effect in the United States of America from time to time.

"Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset as set forth on Schedule 2.1 in the case of the Original Capital Contributions, and otherwise as set forth in the Additional Contribution Agreement;

(ii) The Gross Asset Values of all Company assets shall be adjusted to equal their gross fair market values (taking Code Section 7701(g) into account) as of the following times: (A) the acquisition of an Interest by any new Member in exchange for more than a de minimis Capital Contribution; (B) the distribution by the Company to a Member of more than a de minimis amount of Property as consideration for an Interest; and (C) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g);

(iii) The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution;

(iv) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations, subparagraph (v) of the definition of "Profits" and "Losses" and Section 3.3(i), PROVIDED, HOWEVER, that Gross Asset Values shall not be adjusted pursuant to this subparagaph (iv) to the extent that an adjustment pursuant to subparagraph (ii) is required in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv); and

(v) If Gross Asset Value is required to be determined for the purpose of Section 7, Gross Asset Value shall be determined in the manner set forth in such Section.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (i), (ii), (iii) or (iv) hereof, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

"Hypothetical Income Tax Amount" means for any Fiscal Year the product of (i) the sum of 4% and the daily weighted average highest marginal federal income tax rate

applicable to domestic corporations in effect for such Fiscal Year expressed together as a percentage and (ii) the excess, if any, of (A) the cumulative amount of net taxable income, gain, loss and deduction reported by the Company on its Internal Revenue Service Forms 1065 over its life determined as of the end of such Fiscal Year, over (B) the larger of zero (0) or the cumulative amount of net taxable income, gain, loss and deduction reported by the Company on its Internal Revenue Service Forms 1065 over its life determined as of the beginning of such Fiscal Year.

"Indebtedness" means (without duplication), with respect to any Person, (i) any liability of such Person (A) for borrowed money, or under any reimbursement obligation relating to a letter of credit, bankers' acceptance or note purchase facility, (B) evidenced by a bond, note, debenture or similar instrument, (C) for the balance deferred and unpaid of the purchase price for any Property or any obligation upon which interest charges are customarily paid (except for trade payables arising in the ordinary course of business), or (D) for any Capitalized Lease Obligation; (ii) any obligation (excluding landowner royalty obligations) of any Person secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) a consensual lien on property owned or acquired, whether or not any obligation secured thereby has been assumed, by such Person; and (iii) all guarantees of such Person of the indebtedness of any other Person of the type referred to in clause (i), except for guarantee obligations of Arch, not exceeding $25,000,000, of the reimbursement obligations of its Affiliates in respect of a letter of credit supporting the outstanding bonds issued by Dominion Terminal Associates.

"Indebtedness Ratio" means, with respect to any Test Period for any Person whose Base Credit Level Compliance is being determined, the ratio of Consolidated Indebtedness of such Person, on the last day of such Test Period, to Consolidated EBITDA for such Test Period; PROVIDED, HOWEVER, that for purposes of calculating the Indebtedness Ratio of the Company for any Test Period (i) Indebtedness of the Company on the last day of such Test Period shall be reduced by (a) the outstanding principal amount of all Arch Intercompany Loans if but only if, on the last day of such Test Period the obligor on such Arch Intercompany Loans (or the guarantor of payment thereof) is in Base Credit Level Compliance and (b) the cash balance of the Company and its Subsidiaries on the last day of such Test Period, and (ii) Consolidated EBITDA of the Company shall be increased by the amount of accrued interest recorded by the Company in respect of Arch Intercompany Loans if the obligor thereon is in Base Credit Level Compliance.

"Interest" means, as to any Member, all of the interests of such Member in the Company, including any interest represented by the Preferred Capital Amount and any and all benefits to which the holder of an interest in the Company may be entitled as provided in this Agreement and under the Act, together with all obligations of such Member to comply with the terms and provisions of this Agreement.

"Interest Ratio" means, with respect to any Test Period for any Person whose Base Credit Level Compliance is being determined, the ratio of Consolidated EBITDA of such

Person, for such Test Period to Consolidated Interest Expense of such Person for such Test Period.

"Involuntary Bankruptcy" means, with respect to any Person, without the consent or acquiescence of such Person, the entering of an order for relief or approving a petition for relief or reorganization or any other petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any present or future bankruptcy, insolvency or similar statute, law or regulation, or the filing of any such petition against such Person which petition shall not be dismissed within 60 days, or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, custodian, receiver or liquidator of such Person or of all or any substantial part of the property of such Person which order shall not be dismissed within 60 days.

"Little Thunder Lease" means the Master Lease dated August 8, 1997 between LTLC as lessor and TBCC as lessee, as amended pursuant to an Amendment to Master Lease dated January 27, 1998.

"LTLC" means Little Thunder Leasing Company, a Delaware corporation.

"Major Actions" has the meaning specified in Section 5.1(c).

"Managing Member" means Arch Member.

"Nonrecourse Deductions" has the meaning set forth in Section 1.704-2(b)(1) of the Regulations.

"Nonrecourse Liability" has the meaning set forth in Section 1.704-2(b)(3) of the Regulations.

"Parent" means (i) with respect to Arch Member (and its Controlled Affiliates), Arch, and (ii) with respect to ARCO Member (and its Controlled Affiliates), ARCO. With respect to any other Person hereafter admitted to the Company as a Member, the Parent with respect to such Member shall be the Person identified as such in an Additional Contribution Agreement or in a Schedule to be attached to this Agreement in connection with the admission of such Member. In the event of a Permitted Transaction, the new Parent of the applicable Member immediately following such Permitted Transaction will be the ultimate parent entity (as determined in accordance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations promulgated thereunder (the "HSR Act")) of such Member (or such Member if it is its own ultimate parent entity); PROVIDED that if such ultimate parent entity is not a Publicly Held Person then the next highest corporate entity in the ownership chain from such ultimate parent entity through the Member which is a Publicly Held Person shall be deemed to be the new Parent. If there is no intermediate Publicly Held Person or if the ultimate parent entity is an individual, the Parent shall be the highest entity in the ownership chain from the ultimate parent entity through the Member which is not an individual.

"Partner Nonrecourse Debt" has the meaning set forth in Section 1.704-2(b)(4) of the Regulations.

"Partner Nonrecourse Debt Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Regulations.

"Partner Nonrecourse Deductions" has the meaning set forth in Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Regulations.

"Partnership Minimum Gain" has the meaning set forth in Sections 1.704-2(b)(2) and 1.704-2(d) of the Regulations.

"Permitted Transaction" with respect to a Member means a transaction or series of related transactions in which the Parent or any Affiliate of a Member Transfers its interest in any Affiliate that owns an Interest in the Company to a Controlled Affiliate.

"Person" means any individual, partnership, corporation, limited liability company, trust, or other entity.

"Preferred Capital Amount" means that portion of ARCO Member's Original Capital Contribution equal to $2,399,000, for which capital ARCO Member is entitled to a preferential distribution in accordance with this Agreement. This Preferred Capital Amount will be reduced by any payments with respect to the Preferred Capital Amount in excess of accrued Preferred Return.

"Preferred Return" means an amount equal to 4% per annum, compounded annually, calculated on the Preferred Capital Amount balance.

"Profits" and "Losses" means, for each Allocation Year, an amount equal to the Company's taxable income or loss for such Allocation Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments (without duplication):

(i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses," shall be subtracted from such taxable income or loss;

(iii) Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Gross Asset Value;

(iv) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Allocation Year, computed in accordance with the definition of Depreciation;

(v) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743 is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits or Losses; and

(vi) Notwithstanding any other provision of this definition of "Profits" or Losses," any items which are allocated pursuant to Section 3.3 or Section 3.4 shall not be taken into account in computing Profits or Losses.

The amounts of the items of income, gain, loss or deduction available to be allocated pursuant to Sections 3.3 and 3.4 shall be determined by applying rules analogous to those set forth in this definition of "Profits" and "Losses."

"Publicly Held" means, with respect to any Person, that such Person has a class of equity securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended.

"Property" means all real and personal property owned, contributed to or acquired by the Company and any improvements thereto, and shall include both tangible and intangible property.

"Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code.

"Subsidiary" of any Person means a corporation, company or other entity (i) more than 50% of whose outstanding shares or equity securities are, as of the time of such determination, owned or controlled, directly or indirectly through one or more Subsidiaries, by such Person, and the shares or securities so owned entitle such person and/or its Subsidiaries to elect at least a majority of the members of the board of directors or other managing authority of such corporation, company or other entity notwithstanding the vote of the holders of the

remaining shares or equity securities so entitled to vote or (ii) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than 50% of whose ownership interest is, as of the time of such determination, owned or controlled, directly and/or indirectly through one or more Subsidiaries, by such Person, or in which the ownership interest so owned entitles such Person and/or Subsidiaries to make the decisions for such corporation, company or other entity.

"Successor Debt" means indebtedness incurred by the Company to refinance or repay the Company Debt or other Successor Debt; PROVIDED, however, that the indebtedness incurred to refinance or repay any Company Debt or Successor Debt shall not exceed the aggregate principal amount of such Company Debt or Successor Debt outstanding immediately prior to such refinancing or repayment.

"Tax Sharing Agreement" means that certain agreement of even date herewith by and among Arch, Arch Member and ARCO Member.

"Test Period" means, in respect of any proposed Major Action, the period of the most recent four consecutive fiscal quarters of the Person whose Base Credit Level Compliance is being determined for which financial statements of such Person are available on the date on which such Major Action is proposed to be taken.

"Transfer" (including its correlative meaning, "Transferred") means, as a noun, any sale, exchange, assignment or transfer and, as a verb, to sell, exchange, assign or transfer.

1.11 ADDITIONAL DEFINITIONS

DEFINED TERM	DEFINED IN
"Arch"	Preamble
"Arch Member"	Preamble
"Arch Member Original Capital Contribution"	Section 2.1
"Arch Wyoming"	Preamble
"ARCO"	Preamble
"ARCO Member"	Preamble
"ARCO Member Original Capital Contribution"	Section 2.1
"ARCO Uinta"	Preamble
"Agents"	Section 10.7
"AUS"	Preamble
"Call Notice"	Section 7.4(b)
"Canyon Fuel"	Preamble
"Certificate"	Section 1.6
"Confidential Information"	Section 10.7
"Contribution Agreement"	Preamble

"Exchange Act"	Section 6.2
"First Appraiser"	Section 7.6
"Formation Date"	Preamble
"Gross Appraised Value"	Section 7.6
"Issuance Items"	Section 3.3(h)
"LAXT"	Preamble
"Liquidating Events"	Section 8.1
"MCC"	Preamble
"Member"	Preamble
"Member Loan"	Section 2.5
"Net Equity"	Section 7.5
"Net Equity Notice"	Section 7.5
"Original Capital Contributions"	Section 2.1
"Permitted Transfer"	Section 7.2
"Purchase and Sale Agreement"	Preamble
"Put Notice"	Section 7.4(a)
"Receiving Party"	Section 10.7
"Regulatory Allocations"	Section 3.4
"Restricted Party"	Section 10.7
"Second Appraiser"	Section 7.6
"Senior Credit Agreement"	Section 2.5
"SLLLC"	Preamble
"Tagalong Notice"	Section 7.8
"Tagalong Offer"	Section 7.8
"Tagalong Period"	Section 7.8
"Tagalong Purchaser"	Section 7.8
"Tagalong Transaction"	Section 7.8
"Tax Matters Partner"	Section 6.3
"TBCC"	Preamble
"Third Appraiser"	Section 7.6
"Transferring Member"	Section 7.8

1.12 TERMS GENERALLY

The definitions in Sections 1.10 and 1.11 and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein", "hereof" and "hereunder" and words of similar import refer to this Agreement (including the Schedules) in its entirety and not to any part hereof unless the context shall otherwise require. All references herein to Sections and Schedules shall be deemed references to Sections of, and Schedules to, this Agreement unless the context shall otherwise require. Unless the context shall otherwise require, any references to any agreement or other instrument or statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any corresponding provisions of successor statutes

or regulations). Any reference in this Agreement to a "day" or number of "days" (without the explicit qualification of "Business") shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day.

SECTION 2

MEMBERS' CAPITAL CONTRIBUTIONS

2.1 MEMBERS' ORIGINAL CAPITAL CONTRIBUTIONS

The transfer to the Company by Arch Member of the Arch Sub Membership Interests and the Cash Contribution ("Arch Member Original Capital Contribution") and the transfer to the Company by ARCO and ARCO Member of the ARCO Sub Membership Interests in accordance with the Contribution Agreement ("ARCO Member Original Capital Contribution") shall constitute the Members' Original Capital Contributions. Such Original Capital Contributions shall have the respective Gross Asset Values set forth in Schedule 2.1 of this Agreement.

2.2 CAPITAL ACCOUNTS

(1) A single Capital Account shall be maintained for each Member (regardless of the time or manner in which such interests were acquired) in accordance with the capital accounting rules of Section 704(b) of the Code, and the regulations thereunder (including particularly Section 1.704-1(b)(2)(iv) of the Regulations).

(2) If the Gross Asset Value of any Company Property is adjusted, the Capital Accounts of the Members shall first be adjusted to reflect the manner in which the unrealized income, gain, loss and deduction inherent in such Property (that has not been reflected in the Capital Account or Preferred Capital Amount previously) would be allocated among the Members if there were a taxable disposition of such Property for such Gross Asset Value.

(3) The Tax Matters Partner shall direct the Accountants to make all necessary adjustments in each Member's Capital Account as required by the capital accounting rules of Section 704(b) of the Code and the Regulations thereunder.

2.3 ADDITIONAL CAPITAL CONTRIBUTIONS; PREEMPTIVE RIGHT

Arch Member may contribute to the Company from time to time cash or other property, PROVIDED that:

(4) any Capital Contribution made pursuant to this Section 2.3 shall be subject to the terms and provisions of an Additional Contribution Agreement;

(5) in the event of any Additional Capital Contribution by Arch Member or any other Person, ARCO Member shall have the preemptive right and option to subscribe for and contribute, in cash or property (including conversion of all or part of its Preferred Capital Amount for value based on the principal amount thereof and any accrued but unpaid Preferred Return), all or such portion of the contemplated Additional Capital Contribution as ARCO Member desires and as is necessary to maintain ARCO Member's Common Percentage Interest in the Company; and

(c) to the extent ARCO Member shall not agree with the Gross Asset Values proposed by the Managing Member in connection with any Additional Contribution Agreement involving non-cash contributions, ARCO Member shall be entitled by notice to invoke the appraisal procedures in Section 7.6 for determination of such Gross Asset Values.

2.4 COMPANY FUNDS

The funds of the Company shall be utilized for the Company's benefit as the Managing Member shall determine, including being deposited in such bank accounts, utilized in Company operations, contributed or loaned to Subsidiaries of the Company, or, subject to Section 5.1(c) and any limitations imposed in Senior Credit Agreements, invested in such investments or loaned, from time to time, to the Managing Member on a demand basis, which loans shall bear interest at a rate equal to the interest rate applicable to borrowings by Arch under its primary bank credit facility.

2.5 OTHER BORROWINGS; MEMBER LOANS

(1) In order to satisfy the Company's financial needs, the Company may, if so approved by the Managing Member and subject to Section 5.1(c), borrow from (i) banks, lending institutions or other unrelated third parties, and may pledge Company Property or the production of income therefrom to secure and provide for the repayment of such loans and (ii) any Member or an Affiliate of a Member. Loans made by a Member or an Affiliate of a Member (a "Member Loan") shall be evidenced by a promissory note of the Company and, subject to the last two sentences of Section 2.5(b), shall bear interest payable quarterly from the date made until paid in full at a rate per annum to be determined by the Managing Member that is no less favorable to the Company than if the loan had been made by an independent third party.

(2) Unless otherwise determined by the Managing Member, all Member Loans shall be unsecured and the promissory notes evidencing the same shall be nonnegotiable and, except as otherwise provided in Section 2.5(c), nontransferable. Repayment of the principal amount of and accrued interest on all Member Loans shall be subordinated to the repayment of the principal of and accrued interest on the Company Debt, the Successor Debt and any other indebtedness for borrowed money of the Company to third party lenders to the extent required by the applicable provisions of the instruments creating such indebtedness to third party lenders

("Senior Credit Agreements"). All amounts required to be paid in accordance with the terms of the Member Loans and all amounts permitted to be prepaid thereon shall be applied to the notes held by the Members in accordance with the order of payment contemplated by Section 8.2(b)(ii) and (iii). Subject to the terms of applicable Senior Credit Agreements, Member Loans shall be repaid to the Members at such times as the Company has sufficient funds to permit such repayment without jeopardizing the Company's ability to meet its other obligations on a timely basis. Nothing contained in this Agreement or in any promissory note issued by the Company hereunder shall require the Company or any Member to pay interest or any amount as a penalty at a rate exceeding the maximum amount of interest permitted to be collected from time to time under applicable usury laws. If the amount of interest or of such penalty payable by the Company or any Member on any date would exceed the maximum permissible amount, it shall be automatically reduced to such amount, and interest or the amount of the penalty for any subsequent period, to the extent less than that permitted by applicable usury laws, shall, to that extent, be increased by the amount of such reduction.

(3) An election by a Member to purchase all or any portion of another Member's Interest pursuant to Section 7 shall also constitute an election to purchase an equivalent portion of any outstanding Member Loans held by such selling Member, and each purchasing Member shall be obligated to purchase a percentage of such Member Loans equal to the percentage of the selling Member's Interest such purchasing Member is obligated to purchase for a price equal to the outstanding principal and accrued and unpaid interest on such Member Loans through the date of the closing of such purchase (or such lesser amount as shall be specified by the selling Member as the price for such Member Loans).

2.6 OTHER MATTERS

(1) No Member shall have the right to demand or, except as otherwise provided in Sections 4.2 and 8.2, receive a return of all or any part of its Capital Account or its Capital Contributions or withdraw from the Company without the consent of all Members. Subject to Section 8, under circumstances requiring a return of all or any part of its Capital Account or Capital Contributions, no Member shall have the right to receive Property other than cash.

(2) No Member shall have any obligation to restore any portion of any deficit balance in such Member's Capital Account, whether upon liquidation of its interest in the Company, liquidation of the Company or otherwise.

(3) No other Member shall have any personal liability for the repayment of any Capital Contributions of any Member.

(4) No Member shall be entitled to receive interest on its Capital Contributions or Capital Account.

SECTION 3

ALLOCATIONS

3.1 PROFITS

After giving effect to the allocations set forth in Sections 3.3 and 3.4, Profits for any Allocation Year shall be allocated in the following order and priority: (a) first, to ARCO Member in an amount sufficient to cover the aggregate amounts distributed pursuant to this Section 3.1 for the current and all prior periods to equal the total amount of Preferred Return paid to ARCO Member during the current and all prior periods, (b) second, to Members in proportion to, and to the extent of, an amount equal to the excess, if any, of (i) the cumulative losses allocated to each such Member pursuant to Section 3.2(b) for all prior Allocation Years, over (ii) the cumulative profits allocated to such Member pursuant to this Section 3.1(b) for all prior Allocation Years, and (c) thereafter, among the Members in proportion to their respective Common Percentage Interests.

3.2 LOSSES

After giving effect to the allocations set forth in Sections 3.3 and 3.4, Losses for any Allocation Year shall be allocated among the Members (a) first, in proportion to their Common Percentage Interests to the extent of their respective positive capital accounts, (b) second, to Members having positive capital account balances in proportion to such positive capital account balances, and (c) thereafter, in proportion to their respective Common Percentage Interests.

3.3 CERTAIN ALLOCATIONS

The following allocations shall be made in the following order:

(1) MINIMUM GAIN CHARGEBACK. Except as otherwise provided in Section 1.704-2(f) of the Regulations, notwithstanding any other provision of this Section 3, if there is a net decrease in Partnership Minimum Gain during any Allocation Year, each Member shall be allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Member's share of the net decrease in Partnership Minimum Gain, determined in accordance with Section 1.704-2(g) of the Regulations. Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(f)(6) and 1.704-2(j)(2) of the Regulations. This Section 3.3(a) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Regulations and shall be interpreted consistently therewith.

(2) PARTNER MINIMUM GAIN CHARGEBACK. Except as otherwise provided in Section 1.704-2(i)(4) of the Regulations, notwithstanding any other provision of this Section 3, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to Partner Nonrecourse Debt during any Allocation Year, each Member who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Regulations, shall be allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in an amount equal to such Member's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(4) of the Regulations. Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Regulations. This Section 3.3(b) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Regulations and shall be interpreted consistently therewith.

(3) QUALIFIED INCOME OFFSET. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5) or Section 1.704-1(b)(2)(ii)(d)(6) of the Regulations, items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, PROVIDED that an allocation pursuant to this Section 3.3(c) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 3 have been tentatively made as if this Section 3.3(c) were not in the Agreement.

(4) GROSS INCOME ALLOCATION. In the event any Member has a deficit Capital Account at the end of any Allocation Year which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, PROVIDED that an allocation pursuant to this Section 3.3(d) shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 3 have been made as if Section 3.3(c) hereof and this Section 3.3(d) were not in the Agreement.

(5) NONRECOURSE DEDUCTIONS. Nonrecourse Deductions for any Allocation Year shall be allocated among the Members in proportion to their respective Common Percentage Interests.

(6) NONRECOURSE DEBT ALLOCATION. To the extent necessary to determine a Member's share of nonrecourse liabilities under Section 1.752-3(a)(3) of the Regulations, the Company Debt shall be allocated 100% to ARCO Member and all other nonrecourse liabilities of

the Company shall be allocated to the Members in proportion to their respective Common Percentage Interests.

(7) PARTNER NONRECOURSE DEDUCTIONS. Any Partner Nonrecourse Deductions for any Allocation Year shall be allocated to the Member who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Section 1.704-2(i)(1) of the Regulations.

(8) SECTION 754 ADJUSTMENTS. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Section 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4) of the Regulations to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of its Interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be allocated to the Members in accordance with their interests in the Company in the event Section 1.704-1(b)(2)(iv)(m)(2) of the Regulations applies, or to the Member to whom such distribution was made in the event Section 1.704-1(b)(2)(iv)(m)(4) of the Regulations applies.

(9) ALLOCATIONS RELATING TO TAXABLE ISSUANCE OF COMPANY INTERESTS. Any income, gain, loss or deduction realized as a direct or indirect result of the issuance of an Interest by the Company to a Member (the "Issuance Items") shall be allocated among the Members so that, to the extent possible, the net amount of such Issuance Items, together with all other allocations under this Agreement to each Member, shall be equal to the net amount that would have been allocated to each such Member if the Issuance Items had not been realized.

3.4 CURATIVE ALLOCATIONS

The allocations set forth in Sections 3.3(a), 3.3(b), 3.3(c), 3.3(d), 3.3(e), 3.3(g), 3.3(h) and 3.3(i) (the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with allocations of other items of Company income, gain, loss or deduction pursuant to this Section 3.4. Therefore, notwithstanding any other provision of this Section 3 (other than the Regulatory Allocations), the Managing Member shall make such offsetting allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 3.1, 3.2 and 3.3(i). In exercising its discretion under this Section 3.4, the Managing Member shall take into account future Regulatory Allocations under Sections 3.3(a) and 3.3(b) that, although not yet made, are likely to offset other Regulatory Allocations previously made under Section 3.3(e) and 3.3(g).

3.5 OTHER ALLOCATION RULES

(1) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Managing Member using any permissible method under Code Section 706 and the Regulations thereunder.

(2) The Members are aware of the income tax consequences of the allocations made by this Section 3 and hereby agree to be bound by the provisions of this Section 3 in reporting their shares of Company income and loss for income tax purposes.

3.6 TAX ALLOCATIONS: CODE SECTION 704(C)

In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any Property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such Property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with the definition of Gross Asset Value).

In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder. With respect to the allocations under this Section 3.6, for purposes of Code Section 704(c), the Company shall employ the method prescribed in Section 1.704-3(b) of the Regulations (the "traditional method") or any equivalent successor Regulations.

Any elections or other decisions relating to such allocations shall be made by the Managing Member in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 3.6 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

SECTION 4

DISTRIBUTIONS

4.1 INITIAL DISTRIBUTION

As soon as is practicable after the issuance of the Company Debt, there shall be distributed to ARCO Member cash in the amount of $700,000,000, of which $25,000,000 is to reimburse ARCO Member for certain capital expenditures under Section 1.707-4(d) of the Regulations.

4.2 AVAILABLE CASH

(1) Except as otherwise provided in Sections 4.3 and 8.2 and subject to any applicable provisions of the Company Debt or Successor Debt, distributions to the Members shall be made first to ARCO Member in an amount equal to the accrued and unpaid cumulative Preferred Return, if any, and second, to the Members pro rata in proportion to each Member's respective Common Percentage Interests.

(2) Any such distributions may be made at such times and in such amounts as the Managing Member shall determine. Except as otherwise provided in Section 4.3, or as may be determined desirable by both the Managing Member and the maker of any Member Loans, the Company shall pay in full all Member Loans (in accordance with the order of payment contemplated by Section 8.2(b)) prior to making any cash distributions to the Members.

4.3 TAX DISTRIBUTIONS

Subject to applicable provisions of the Company Debt or Successor Debt, Available Cash shall be distributed to the Members in proportion to their Common Percentage Interests within 135 days after the end of each Fiscal Year of the Company in an aggregate amount equal to the Hypothetical Income Tax Amount for such Fiscal Year.

4.4 AMOUNTS WITHHELD

All amounts withheld pursuant to the Code or any provision of any state or local tax law from any payment or distribution to a Member shall be treated as amounts paid or distributed to such Member pursuant to this Section 4 for all purposes under this Agreement. The Managing Member is authorized to withhold from payments and distributions to any Member and to pay over to any federal, state, or local government any amounts required to be so withheld pursuant to the Code or any provisions of any other federal, state, or local law.

SECTION 5

MANAGEMENT

5.1 AUTHORITY OF THE MANAGING MEMBER

(1) GENERAL AUTHORITY. Subject to Section 5.1(c), the Managing Member shall conduct the business and affairs of the Company. Except where the approval of the Members is

expressly required by this Agreement or non-waivable provisions of applicable law, the Managing Member shall have full and complete authority, power and discretion to manage and control the business, affairs and property of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business.

(2) DELEGATION. The Managing Member shall have the power to delegate authority to such officers, employees, agents and representatives of the Company as it may from time to time deem appropriate.

(3) ACTIONS REQUIRING CONSENT OF MEMBERS. Each of the following actions (each such action, whether it constitutes a single and separate transaction or part of a series of two or more related transactions, being treated as a single and separate action and being herein referred to as a "Major Action") shall require the prior written approval of all the Members if the Company shall not on the date on which such Major Action is proposed to be taken be in Base Credit Level Compliance:

(1) any distributions of cash or Property to, or any loans to or other investments in, any Member or any Affiliate of any Member, except for Required Tax Distributions as set forth in Section 4.3;

(2) incurrence by the Company of any Indebtedness other than the Company Debt or any Successor Debt;

(3) the sale, lease, abandonment or other disposition of all or any portion of the assets, properties and rights of the Company otherwise than in the ordinary course of business; and

(4) the consolidation or merger of the Company with or into any other Person.

(4) COVENANT. The Managing Member covenants and agrees that the Company will treat the Company Debt and the Successor Debt as a "recourse liability" as defined in Section 1.752-1(a)(1) of the Regulations with respect to which ARCO Member bears the "economic risk of loss" for purposes of Section 1.752-2 of the Regulations unless such treatment is inconsistent with any Final Determination with respect to this matter for the Company.

5.2 OFFICERS

(1) ENUMERATION. The Managing Member shall designate a President, a Treasurer and a Secretary of the Company, and it may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board among its members. The Managing Member may

also choose one or more Vice Presidents or other officers, one or more Assistant Secretaries and one or more Assistant Treasurers. Each such officer shall hold office until his successor is elected and qualified or until his earlier resignation or removal. The Managing Member may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights, if any, of such officer with the Company.

(2) PRESIDENT. The President shall manage the day-to-day operations of and the business of the Company, subject to the control, supervision and oversight of the Managing Member.

(3) VICE PRESIDENT. The Vice President or if there shall be more than one, the Vice Presidents, in the order of their seniority unless otherwise specified by the Managing Member, shall have all of the powers and perform all of the duties of the President during the absence or inability to act of the President. Each Vice President shall also have such other powers and perform such other duties as shall from time to time be prescribed by the Managing Member, the Chairman or the President.

(4) SECRETARY. The Secretary shall have custody of the seal of the Company, if any, and of all books, records, and papers of the Company, except such as shall be in the charge of the Treasurer or of some other person authorized to have custody and possession thereof by direction of the Managing Member. The Secretary shall also have such other powers and perform such other duties as are incident to the office of the Secretary of a corporation or as shall from time to time be prescribed by, or pursuant to authority delegated by, the Managing Member.

(5) TREASURER. The Treasurer shall keep full and accurate accounts of the receipts and disbursements of the Company in books belonging to the Company, shall deposit all moneys and other valuable effects of the Company in the name and to the credit of the Company in such depositories as may be designated by the Managing Member, and shall also have such other powers and perform such other duties as are incident to the office of the Treasurer of a corporation or as shall from time to time be prescribed by, or pursuant to authority delegated by, the Managing Member.

(6) OTHER OFFICERS AND ASSISTANT OFFICERS. The powers and duties of each other officer or assistant officer who may from time to time be chosen by the Managing Member shall be as specified by, or pursuant to authority delegated by, the Managing Member at the time of the appointment of such other officer or assistant officer or from time to time thereafter. In addition, each officer designated as an assistant shall assist in the performance of the duties of the officer to which he or she is assistant and shall have the powers and perform the duties of such officer during the absence or inability to act of such officer.

(7) CONTRACTS. Any contract to be entered into by the Company may be signed by the President or any Vice President or by any person authorized to do so by the Managing Member, the Chairman or the President.

5.3 LIABILITY OF MEMBERS

No Member, Managing Member, former Member, no Affiliate of any thereof, nor any partner, shareholder, director, officer, employee or agent of any of the foregoing, shall be liable in damages for any act or failure to act in such Person's capacity as a Member, Managing Member or otherwise on behalf of the Company unless such act or omission constituted bad faith, gross negligence, fraud or willful misconduct of such Person or a violation by such Person of this Agreement. Subject to Section 5.4, each Member, former Member, each Affiliate of any thereof, and each partner, shareholder, director, officer, employee and agent of any of the foregoing, shall be indemnified and held harmless by the Company, its receiver or trustee from and against any liability for damages and expenses, including reasonable attorneys' fees and disbursements and amounts paid in settlement, resulting from any threatened, pending or completed action, suit or proceeding relating to or arising out of such Person's acts or omissions in such Person's capacity as a Member, Managing Member or otherwise involving such Person's activities on behalf of the Company, except to the extent that such damages or expenses result from the bad faith, gross negligence, fraud or willful misconduct of such Person or a violation by such Person of this Agreement. Any indemnity by the Company, its receiver or trustee under this Section 5.3 shall be provided out of and to the extent of Company Property only.

5.4 INDEMNIFICATION

Any Person asserting a right to indemnification under Section 5.3 shall so notify the Company in writing. If the facts giving rise to such indemnification shall involve any actual or threatened claim or demand by or against a third party, the indemnified Person shall give such notice promptly (but the failure to so notify shall not relieve the indemnifying Person from any liability which it otherwise may have to such indemnified Person hereunder except to the extent the indemnifying Person is actually prejudiced by such failure to notify). The indemnifying Person shall be entitled to control the defense or prosecution of such claim or demand in the name of the indemnified Person, with counsel satisfactory to the indemnified Person, if it notifies the indemnified Person in writing of its intention to do so within 20 days of its receipt of such notice, without prejudice, however, to the right of the indemnified Person to participate therein through counsel of its own choosing, which participation shall be at the indemnified Person's expense unless (i) the indemnified Person shall have been advised by its counsel that use of the same counsel to represent both the indemnifying Person and the indemnified Person would present a conflict of interest (which shall be deemed to include any case where there may be a legal defense or claim available to the indemnified Person which is different from or additional to those available to the indemnifying Person), in which case the indemnifying Person shall not have the right to direct the defense of such action on behalf of the indemnified Person, or (ii) the indemnifying Person shall fail vigorously to defend or prosecute such claim or demand within a

reasonable time. Whether or not the indemnifying Person chooses to defend or prosecute such claim, the Members shall cooperate in the prosecution or defense of such claim and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may reasonably be requested in connection therewith.

The indemnified Person shall not settle or permit the settlement of any claim or action for which it is entitled to indemnification without the prior written consent of the indemnifying Person, unless the indemnifying Person shall have failed to assume the defense thereof after the notice and in the manner provided above.

The indemnifying Person may not without the consent of the indemnified Person agree to any settlement (i) that requires such indemnified Person to make any payment that is not indemnified hereunder, (ii) does not grant a general release to such indemnified Person with respect to the matters underlying such claim or action, or (iii) that involves the sale, forfeiture or loss of, or the creation of any lien on, any material property of such indemnified Person. Notwithstanding the foregoing, the indemnifying Person may not in connection with any such investigation, defense or settlement, without the consent of the indemnified Person, take or refrain from taking any action which would reasonably be expected to materially impair the indemnification of such indemnified Person hereunder or would require such indemnified Person to take or refrain from taking any action or to make any public statement, which such indemnified Person reasonably considers to materially adversely affect its interests.

Upon the request of any indemnified Person, the indemnifying Person shall use reasonable efforts to keep such indemnified Person reasonably apprised of the status of those aspects of such investigation and defense controlled by the indemnifying Person and shall provide such information with respect thereto as such indemnified Person may reasonably request.

5.5 INTERESTED PARTY TRANSACTIONS

Except for the Contribution Agreement and ARCO Member Guarantee, any contract, agreement, relationship or transaction between the Company or any of its Subsidiaries, on the one hand and any Member or any Person in which a Member (including its Controlled Affiliates) has a direct or indirect material financial interest or which has a direct or indirect material financial interest in such Member (each, an "Interested Person") on the other hand, shall be (i) on terms no less favorable to the Company than those generally being provided to or available from unrelated third parties. Notwithstanding the foregoing, in no event may any contract or agreement between the Company or any of its Subsidiaries and Interested Persons involve any subject matter outside the ordinary course of the Company's mining business (including within such business the making of any Arch Intercompany Loans).

SECTION 6

ACCOUNTING, BOOKS AND RECORDS

6.1 ACCOUNTING, BOOKS AND RECORDS

The Company shall maintain at its principal office separate books of account for the Company which (i) shall fully and accurately reflect all transactions of the Company, all costs and expenses incurred, all charges made, all credits made and received, and all income derived in connection with the conduct of the Company and the operation of its business in accordance with GAAP or, to the extent inconsistent therewith, in accordance with this Agreement and (ii) shall include all documents and other materials with respect to the Company's business as are usually maintained by persons engaged in similar businesses. The Company shall use the accrual method of accounting in preparation of its annual reports and for tax purposes and shall keep its books and records accordingly. Any Member or its designated representative shall have the right, at any reasonable time and for any lawful purpose related to the affairs of the Company or the investment in the Company by such Member, (i) to have access to and to inspect and copy the contents of such books or records, (ii) to visit the facilities of the Company and (iii) to discuss the affairs of the Company with its officers, employees, attorneys, accountants, customers and suppliers. The Company shall not charge such Member for such examination and each Member shall bear its own expenses in connection with any examination made for any such Member's account.

6.2 REPORTS

(1) IN GENERAL. The controller of the Company shall be responsible for the preparation of financial reports of the Company and the coordination of financial matters of the Company with the Accountants.

(2) PERIODIC AND OTHER REPORTS. The Company shall cause to be delivered to each Member the financial statements listed in clauses (i) through (iii) below, prepared, in each case, in accordance with GAAP (and, if required by any Member for purposes of reporting under the Securities Exchange Act of 1934, as amended ("Exchange Act"), Regulation S-X), any of the reports and information listed in subsection (d) below and such other reports as any Member may reasonably request from time to time:

(1) As soon as practicable following the end of each Fiscal Year (and in any event not later than 75 days after the end of such Fiscal Year) and at such time as distributions are made to the Members pursuant to Section 8.2 following the occurrence of a Liquidating Event, a balance sheet of the Company as of the end of such Fiscal Year or at the time such distributions are made and the related statements of operations, Members' Capital Accounts and changes therein, and cash flows for such Fiscal Year, together with appropriate notes to such financial statements and supporting schedules, and, if audited, a copy of the audit report thereon by the independent public accountants then serving the Company, and in each case, to the extent the Company was in existence,

setting forth in comparative form the corresponding figures for the immediately preceding Fiscal Year (in the case of the balance sheet) and the two immediately preceding Fiscal Years (in the case of the statements).

(2) As soon as practicable following the end of each of the first three fiscal quarters of each Fiscal Year (and in any event not later than 45 days after the end of each such fiscal quarter), a balance sheet of the Company as of the end of such fiscal quarter and the related statements of operations, Members' Capital Accounts and changes therein, and cash flows for such fiscal quarter and for the Fiscal Year to date, in each case, to the extent the Company was in existence, setting forth in comparative form the corresponding figures for the prior Fiscal Year's fiscal quarter and interim period corresponding to the fiscal quarter and interim period just completed.

(3) If the Company is a reporting company under the Exchange Act, all annual and quarterly reports on Form 10-K and 10-Q, all current reports on Form 8-K and all other reports or information required to be filed under the Exchange Act or otherwise prepared and distributed by the Company to any Member or other holders of equity in the Company.

(4) Together with the financial statements delivered pursuant to the foregoing clauses (i) and (ii), a certificate of the chief financial officer of the Managing Member, as to (a) compliance by the Company, and by each other Person whose Base Credit Level Compliance purports to be evidenced by such certificate, with the Credit Ratios as of the last day of the Test Period ended on the last day of the reporting period covered by such financial statements, and/or, in each case containing calculations in reasonable detail demonstrating such compliance, and/or (b) stating whether on the last day of the reporting period covered by such financial statements, any other such Person, had an Acceptable Debt Rating.

6.3 TAX RETURNS AND INFORMATION

(1) The Managing Member shall act as the "Tax Matters Partner" of the Company within the meaning of Section 6231(a)(7) of the Code (and in any similar capacity under applicable state or local law) (the "Tax Matters Partner"). If the Managing Member shall cease to be a Member, then the Member with the greatest Common Percentage Interest shall thereafter act as the Tax Matters Partner. The Tax Matters Partner shall take reasonable action to cause each other Member to be treated as a "notice partner" within the meaning of Section 6231(a)(8) of the Code. All reasonable expenses incurred by a Member while acting in its capacity as Tax Matters Partner shall be paid or reimbursed by the Company. Each Member shall have the right to have five Business Days advance notice from the Tax Matters Partner of the time and place of, and to participate in (i) any material aspect of any administrative proceeding relating to the determination of Company items at the Company level and (ii) any material discussions with the Internal Revenue Service relating to the allocations pursuant to Section 3 of this Agreement. The Tax Matters Partner shall not initiate any action or proceeding in any court, extend any statute of limitations, or take any other action contemplated by Sections 6222 through 6232 of the Code that would legally bind any other Member other than indirectly through the Company being bound by such action. The Company shall from time to time upon request of any other Member confer, and cause the Company's tax attorneys and Accountants to confer, with such other Member and its attorneys and accountants on any matters relating to a Company tax return or any tax election.

(2) The Company shall cause all federal, state, local and other tax returns and reports (including amended returns) required to be filed by the Company to be prepared and timely filed with the appropriate authorities and shall cause all income or franchise tax returns or reports required to be filed by the Company to be sent to each Member for review at least 15 Business Days prior to filing. Unless otherwise determined by the Managing Member, all such income or franchise tax returns of the Company shall be prepared by the Accountants. The cost of preparation of any returns by the Accountants or other outside preparers shall be borne by the Company. Except as otherwise expressly provided herein, all elections required or permitted to be made by the Company under the Code (or applicable state or local tax law) shall be made in such manner as may be determined by the Managing Member to be in the best interests of the Members as a group.

(3) The Company shall cause to be provided to each Member as soon as possible after the close of each Fiscal Year (and, in any event, no later than 135 days after the end of each Fiscal Year), a schedule setting forth such Member's distributive share of the Company's income, gain, loss, deduction and credit as determined for federal income tax purposes and any other information relating to the Company that is reasonably required by such Member to prepare its own federal, state, local and other tax returns. At any time after such schedule and information have been provided, upon at LEAST five Business Days' notice from a Member, the Company shall also provide each Member with a reasonable opportunity during

ordinary business hours to review and make copies of all work papers related to such schedule and information or to any return prepared under paragraph (b) above. The Tax Matters Partner shall also cause to be provided to each Member, at the time that the quarterly financial statements are required to be delivered pursuant to Section 6.2(b)(ii) above, an estimate of each Member's share of all items of income, gain, loss, deduction and credit of the Company for the fiscal quarter just completed and for the Fiscal Year to date for federal income tax purposes.

(4) The Company, each Member and each Affiliate of a Member agrees to take no action inconsistent with the tax-free nature of the reorganization of LTLC, the contribution of the ARCO Assets to the Company, the contribution to ARCO Member of an interest in the Company and the distributions to ARCO Member pursuant to Section 4.1 except to the extent requested by ARCO Member in writing. Each Member and each Affiliate of a Member agrees to take any action pursuant to this Section 6.3(d) reasonably requested by ARCO Member. The Company and each Member will not file any protective claim or election in connection with these matters unless (i) directed to do so by ARCO or (ii) they receive ARCO's prior written consent to such filing, which consent will not be unreasonably withheld.

SECTION 7

DISPOSITIONS OF INTERESTS

7.1 RESTRICTION ON DISPOSITIONS

Except as otherwise permitted by this Agreement, no Member shall Dispose of all or any portion of its Interest.

7.2 PERMITTED TRANSFERS

Subject to the conditions and restrictions set forth in Section 7.3, a Member may at any time Transfer all or any portion of its Interest (a) to any Controlled Affiliate of such Member, (b) in connection with a Permitted Transaction, (c) to the administrator or trustee of such Member to whom such Interest is transferred in an Involuntary Bankruptcy, (d) pursuant to and in compliance with Section 7.4 or (e) with the prior written consent of the other Members (each a "Permitted Transfer"), PROVIDED that unless approved by all Members, no Transfer of a Member's Interest (other than pursuant to Section 7.4) will be a Permitted Transfer if such Transfer would reasonably likely result in (y) a breach of any covenant, representation or other agreement in any instrument with respect to the Company Debt or any Successor Debt; or (z) otherwise materially adversely affect the creditworthiness of the Company.

After any Permitted Transfer, the Transferred Interest shall continue to be subject to all the provisions of this Agreement, including the provisions of this Section 7 with respect to the Disposition of Interests. Except in the case of a Transfer of a Member's entire Interest made in

compliance herewith, no Member shall withdraw from the Company, except with the consent of the Managing Member. The withdrawal of a Member, whether or not permitted, shall not relieve the withdrawing Member of its obligations under Section 10.7 and shall not relieve such Member or any of its Affiliates of its obligations under, or result in a termination of or otherwise affect, any agreement between the Company and such Member or Affiliate then in effect, except to the extent provided therein.

7.3 CONDITIONS TO PERMITTED TRANSFERS

A Transfer shall not be treated as a Permitted Transfer unless and until the following conditions are satisfied:

(1) Except in the case of a Transfer involuntarily by operation of law, the transferor and transferee shall execute and deliver to the Company such documents as may be necessary or appropriate in the opinion of counsel to the Company to effect such Transfer. In the case of a Transfer of Interests involuntarily by operation of law, the Transfer shall be confirmed by presentation to the Company of legal evidence of such Transfer, in form and substance satisfactory to counsel to the Company. In all cases, the Company shall be reimbursed by the transferor and/or transferee for all costs and expenses that it reasonably incurs in connection with such Transfer (including reasonable attorneys' fees and expenses, but excluding the portion of the costs of determining Net Equity that are to be borne by the Company as provided in Section 7.4(d));

(2) Except in the case of a Transfer involuntarily by operation of law, the transferee of an Interest (other than, with respect to clause (A) below, a transferee that was a Member prior to the Transfer) shall, by written instrument in form and substance reasonably satisfactory to the Managing Member (and, in the case of clause (B) below, the transferor Member), (A) accept and adopt the terms and provisions of this Agreement, including this Section 8, and (B) assume the obligations of the transferor Member under this Agreement with respect to the Transferred Interest. The transferor Member shall be released from all such assumed obligations except (x) as otherwise provided in Section 10.7, (y) those obligations or liabilities of the transferor Member arising out of a breach of this Agreement and (z) in the case of a transfer to any Person other than a Member or any of its Controlled Affiliates, those obligations or liabilities of the transferor Member based on events occurring, arising or maturing prior to the date of Transfer;

(3) Except in the case of a Transfer involuntarily by operation of law, the transferor and its Affiliates will be obligated to sell to the transferee, and the transferee will be obligated to buy from the transferor and its Affiliates, all Member Loans of the Company held directly or indirectly by the transferor or an Affiliate thereof. If the transferee is a Member or a Controlled Affiliate thereof, the terms of such purchase will include those provided in Section 2.5;

(4) Except in the case of a Transfer involuntarily by operation of law, if required by the Managing Member, the transferee shall deliver to the Company an opinion, satisfactory in form and substance to the Managing Member, of counsel reasonably satisfactory to the Managing Member to the effect that the Transfer of the Interest is in compliance with applicable state and federal securities laws;

(5) Except in the case of a Transfer involuntarily by operation of law, if required by the Managing Member, the transferee (other than a transferee that was a Member prior to the Transfer) shall deliver to the Company evidence of the authority of such Person to become a Member and to be bound by all of the terms and conditions of this Agreement, and the transferee and transferor shall each execute and deliver such other instruments as the Managing Member reasonably deems necessary or appropriate to effect, and as a condition to, such Transfer, including amendments to the Certificate or any other instrument filed with the State of Delaware or any other state or governmental agency;

(6) Unless otherwise approved by the Managing Member, no Transfer of an Interest shall be made except upon terms which would not, in the opinion of counsel chosen by the Managing Member, result in the termination of the Company within the meaning of Section 708 of the Code or cause the application of the rules of Sections 168(g)(1)(B) and 168(h) of the Code or similar rules to apply to the Company. If the immediate Transfer of such Interest would, in the opinion of such counsel, cause a termination within the meaning of Section 708 of the Code, then if, in the opinion of such counsel, the following action would not precipitate such termination, the transferor Member shall be entitled (or required, as the case may be) (i) immediately to Transfer only that portion of its Interest as may, in the opinion of counsel to the Company, be transferred without causing such a termination and (ii) to enter into an agreement to Transfer the remainder of its Interest, in one or more Transfers, at the earliest date or dates on which such Transfer or Transfers may be effected without causing such termination. The purchase price for the Interest shall be allocated between the immediate Transfer and the deferred Transfer or Transfers pro rata on the basis of the percentage of the aggregate Interest being transferred, each portion to be payable when the respective Transfer is consummated, unless otherwise agreed by the parties to the Transfer. In the case of a Transfer by one Member to another Member, the deferred purchase price shall be deposited in an interest-bearing escrow account unless another method of securing the payment thereof is agreed upon by the transferor Member and the transferee Member(s). In determining whether a particular proposed Transfer will result in a termination of the Company, counsel to the Company shall take into account the existence of prior written commitments to Transfer made pursuant to this Agreement and such commitments shall always be given precedence over subsequent proposed Transfers;

(7) The transferor or transferee shall furnish the Company with the transferee's taxpayer identification number, sufficient information to determine the transferee's initial tax basis in the Interest transferred, and any other information reasonably necessary to permit the Company to file all required federal and state tax returns and other legally required

information statements or returns. Without limiting the generality of the foregoing, the Company shall not be required to make any distribution otherwise provided for in this Agreement with respect to any transferred Interest until it has received such information; and

(8) Except in the case of a Transfer of an Interest involuntarily by operation of law, the transferor and transferee shall provide the Company with an opinion of counsel, which opinion of counsel shall be reasonably satisfactory to the other Members, to the effect that such Transfer will not cause the Company to become taxable as a corporation for federal income tax purposes.

Upon completion of any Permitted Transfer and compliance with the provisions of this Section 7.3, the transferee of the Interest (if not already a Member) shall be admitted as a Member without any further action.

7.4 PUT AND CALL RIGHTS

(1) ARCO MEMBER PUT RIGHT. At any time after the seventh anniversary of the Closing Date (as defined in the Purchase and Sale Agreement), ARCO Member shall have the right, upon providing at least 60 days' advance written notice to Arch Member (a "Put Notice"), to require Arch Member to purchase all or part of ARCO Member's Interest. The price at which ARCO Member's Interest will be so purchased and sold shall be determined by mutual agreement between Arch Member and ARCO Member. If such price is not so agreed upon within 60 days after the date of the Put Notice, such price shall be equal to the sum of (x) if the Preferred Capital Amount or any part thereof is to be sold, an amount equal to all or such portion of the Preferred Capital Amount and any accrued and unpaid Preferred Return thereon, and (y) if the ARCO Member Common Percentage Interest or any part thereof is to be sold, the Net Equity of such Common Percentage Interest or part thereof determined as of the last day of the fiscal quarter immediately preceding the fiscal quarter in which the Put Notice was given. No Damages or other amounts shall be payable to ARCO Member under the Tax Sharing Agreement in connection with the exercise by ARCO Member of its rights under this Section 7.4(a).

(2) ARCH MEMBER CALL RIGHTS. At any time after the date hereof, Arch Member shall have the right, upon providing at least 60 days' advance written notice (a "Call Notice") to ARCO Member, to purchase or to cause another person to purchase all, but not less than all, of the ARCO Member Interest at a price equal to the sum of (i) the Preferred Capital Amount and any accrued and unpaid Preferred Return thereon, and (ii) the Net Equity of the ARCO Member Common Percentage Interest determined as of the last day of the fiscal quarter immediately preceding the fiscal quarter in which the Call Notice was given, together with Damages (if any) determined as set forth in the Tax Sharing Agreement.

(3) POST 2013 CALL RIGHT. At any time after January 1, 2013, Arch Member shall have the right, upon providing at least 60 days advance written Call Notice to ARCO

Member, to purchase all of the ARCO Member Interest and any Interest of ARCO Member Transferred at a price equal to the Net Equity of the ARCO Member Interest and/or Transferred Interest determined as of the last day of the fiscal quarter immediately preceding the fiscal quarter in which the Call Notice was given. No Damages or other amounts shall be payable to ARCO Member under the Tax Sharing Agreement in connection with the exercise by Arch Member of its rights under this Section 7.4(c).

(4) TERMS OF PURCHASE; CLOSING. Unless Arch Member and ARCO Member otherwise agree, the closing of the purchase and sale of ARCO Member's Interest shall occur at the principal office of the Company at 10:00 a.m. (local time at the place of the closing) on the first Business Day occurring on or after the 60th day following the last day of the required advance written notice period (subject to the provisions of Section 7.7). At the closing, Arch Member shall pay to ARCO Member, by cash or other immediately available funds, the purchase price for ARCO Member's Interest and ARCO Member shall deliver to Arch Member good title, free and clear of any liens, claims, encumbrances, security interests or options (other than those created by this Agreement and those securing financing obtained by the Company), to the ARCO Member's Interest thus purchased.

At the closing, the Members shall execute such documents and instruments of conveyance as may be necessary or appropriate to effectuate the transactions contemplated hereby, including the Transfer of the ARCO Member's Interest to Arch Member and the assumption by Arch Member of ARCO Member's obligations with respect to the ARCO Member's Interest Transferred to Arch Member. The Company and each Member shall bear its own costs of such Transfer and closing, including attorneys' fees and filing fees. The cost of determining Net Equity shall be borne by the Company.

7.5 NET EQUITY

The "Net Equity" of a Member's Interest, as of any day, shall be the amount that would be distributed to such Member in liquidation of the Company pursuant to Section 8 if (a) all of the Company's business and assets were sold substantially as an entirety for Gross Appraised Value, (b) the Company paid its accrued, but unpaid, liabilities and established reserves pursuant to Section 8.2 for the payment of reasonably anticipated contingent or unknown liabilities and (c) the Company distributed the remaining proceeds to the Members in liquidation, all as of such day, PROVIDED that in determining such Net Equity, no reserve for contingent or unknown liabilities shall be taken into account if such Member (or its successor in interest) agrees to indemnify the Company and all other Members for that portion of any such reserve as would be treated as having been withheld pursuant to Section 8.3 from the distribution such Member would have received pursuant to Section 8.2 if no such reserve were established.

The Net Equity of a Member's Interest shall be determined, without audit or certification, from the books and records of the Company by the Accountants. The Net Equity of a Member's Interest shall be determined within 30 days of the day upon which the Accountants are apprised

in writing of the Gross Appraised Value of the Company's business and assets, and the amount of such Net Equity shall be disclosed to the Company and each of the Members by written notice ("Net Equity Notice"). The Net Equity determination of the Accountants shall be final and binding in the absence of a showing of manifest error.

7.6 GROSS APPRAISED VALUE

"Gross Appraised Value," as of any day, means the price at which a willing seller would sell, and a willing buyer would buy, the business and assets of the Company, free and clear of all liens and encumbrances, substantially as an entirety and as a going concern in a single arm's-length transaction for cash, without time constraints and without being under any compulsion to buy or sell.

In connection with provisions of this Agreement that require a determination of Gross Appraised Value, the Managing Member shall appoint an appraiser (the "First Appraiser") and the affected Member or Members shall appoint a second appraiser (the "Second Appraiser"). If the Second Appraiser is not timely designated, the determination of the Gross Appraised Value shall be made by the First Appraiser. The First Appraiser, or each of the First Appraiser and the Second Appraiser if the Second Appraiser is timely designated, shall submit its determination of the Gross Appraised Value to the Company, the Members and the Accountants within 45 days of the date of its selection (or the selection of the Second Appraiser, as applicable). If there are two (2) Appraisers and their respective determinations of the Gross Appraised Value vary by less then ten percent of the higher determination, the Gross Appraised Value shall be the average of the two determinations. If such determinations vary by ten percent or more of the higher determination, the two Appraisers shall promptly designate a third appraiser (the "Third Appraiser"). Neither the Company nor any Member shall provide, and the First Appraiser and Second Appraiser shall be instructed not to provide, any information to the Third Appraiser as to the determinations of the First Appraiser and the Second Appraiser or otherwise influence such Third Appraiser's determination in any way. The Third Appraiser shall submit its determination of the Gross Appraised Value to the Company, the Members and the Accountants within 45 days of the date of its selection. The Gross Appraised Value shall be equal to the average of the two closest of the three determinations, PROVIDED that, if the difference between the highest and middle determinations is no more than 105% and no less than 95% of the difference between the middle and lowest determinations, then the Gross Appraised Value shall be equal to the middle determination. The determination of the Gross Appraised Value in accordance with the foregoing procedure shall be final and binding on the Company and each Member. If any Appraiser is only able to provide a range in which Gross Appraised Value would exist, the average of the highest and lowest value in such range shall be deemed to be such Appraiser's determination of the Gross Appraised Value of the Company's business and assets. The Third Appraiser selected pursuant to the provisions of this Section shall be an investment banking firm or other qualified Person with prior experience in appraising businesses comparable to the business of the Company.

7.7 EXTENSION OF TIME

If any transfer of a Member's Interest in accordance with this Section 7 requires the consent, approval, waiver, or authorization of any government department, board, bureau, commission, agency or instrumentality as a condition to the lawful and valid Transfer of such Member's Interest to the proposed transferee thereof, then each of the time periods provided in this Section 7, as applicable, for the closing of such Transfer shall be suspended for the period of time during which any such consent, approval, waiver, or authorization is being diligently pursued; PROVIDED, HOWEVER, that in no event shall the suspension of any time period pursuant to this Section 7.7 extend for more than 365 days. Each Member agrees to use its diligent efforts to obtain, or to assist the affected Member or the Managing Member in obtaining, any such consent, approval, waiver, or authorization and shall cooperate and use its diligent efforts to respond as promptly as practicable to all inquiries received by it, by the affected Member or by the Managing Member from any government department, board, bureau, commission, agency or instrumentality for initial or additional information or documentation in connection therewith.

7.8 TAGALONG RIGHTS

In the event that the Managing Member proposes to Transfer all or any portion of its Common Percentage Interest to any person other than a Controlled Affiliate of the Managing Member (a "Tagalong Transaction"), the Tagalong Transaction shall not be permitted hereunder unless the proposed transferee ("Tagalong Purchaser") offers to purchase the entire Interest of ARCO Member if ARCO Member desires to sell such Interest to the Tagalong Purchaser at the same price and on the same terms and conditions as the Tagalong Purchaser has offered to the Managing Member (the "Transferring Member") for its Common Percentage Interest, plus an amount equal to the Preferred Capital Amount and any accrued but unpaid Preferred Return thereon to the date of purchase. Prior to effecting any Tagalong Transaction, the Transferring Member shall deliver to ARCO Member a binding, irrevocable offer (the "Tagalong Offer") by the Tagalong Purchaser to purchase the entire Interest of ARCO Member at the same price and on the same terms and conditions as the Tagalong Purchaser has offered to the Transferring Member (the "Tagalong Notice") for its Common Percentage Interest, plus an amount equal to the Preferred Capital Amount and any accrued but unpaid Preferred Return thereon to the date of purchase. The "Tagalong Offer" shall be irrevocable for a period (the "Tagalong Period") ending at 11:59 p.m., local time at the Company's principal place of business on the 30th day following the date of the Tagalong Notice. At any time during the Tagalong Period, ARCO Member may accept the Tagalong Offer as to the entire amount of its Interest by giving written notice of such acceptance to the Tagalong Purchaser. The Tagalong Purchaser's purchase of the Interest of ARCO Member shall occur at the closing of the Tagalong Transaction (PROVIDED such closing is not earlier than 30 Business Days after the Tagalong Notice), subject to Section 7.7.

7.9 PROHIBITED DISPOSITIONS

Any purported Disposition of all or any part of an Interest that is not a Permitted Transfer shall be null and void and of no force or effect whatever; PROVIDED that, if the Company is required to recognize a Disposition that is not a Permitted Transfer (or if the Managing Member, in its sole discretion, elects to recognize a Disposition that is not a Permitted Transfer), the Interest Disposed of shall be strictly limited to the transferor's rights to allocations and distributions as provided by this Agreement with respect to the Transferred Interest, which allocations and distributions may be applied (without limiting any other legal or equitable rights of the Company) to satisfy any debts, obligations, or liabilities for damages that the transferor or transferee of such Interest may have to the Company.

7.10 REPRESENTATIONS REGARDING ACQUISITIONS OF INTERESTS

Each Member hereby represents and warrants to the Company and the other Members that such Member's acquisition of Interests hereunder is made as principal for such Member's own account and not for resale or distribution of such Interests.

7.11 DISTRIBUTIONS AND ALLOCATIONS IN RESPECT OF TRANSFERRED INTERESTS

If any Interest is Transferred during any Allocation Year in compliance with the provisions of this Section 7, Profits, Losses, each item thereof, and all other items attributable to the Transferred Interest for such Fiscal Year shall be divided and allocated between the transferor and the transferee by taking into account their varying Percentage Interests during the Fiscal Year in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Managing Member. All distributions on or before the date of such Transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Solely for purposes of making such allocations and distributions, the Company shall recognize such Transfer not later than the end of the calendar month during which it is given notice of such Transfer, PROVIDED that, if the Company is given notice of a Transfer at least ten Business Days prior to the Transfer, the Company shall recognize such Transfer as of the date of such Transfer, and PROVIDED FURTHER that if the Company does not receive a notice stating the date such Interest was Transferred and such other information as the Managing Member may reasonably require within 30 days after the end of the Fiscal Year during which the Transfer occurs, then all such items shall be allocated, and all distributions shall be made, to the Person who, according to the books and records of the Company, was the owner of the Interest on the last day of such Fiscal Year. Neither the Company nor the Managing Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Section 7.11, whether or not the Managing Member or the Company has knowledge of any Transfer of ownership of any Interest.

SECTION 8

DISSOLUTION AND WINDING UP

8.1 LIQUIDATING EVENTS

The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Liquidating Events"):

(i) The sale of all or substantially all of the Property; and

(ii) The agreement of the Members to dissolve, wind up, and liquidate the Company.

The Members hereby agree that, notwithstanding any provision of the Act, the Company shall not dissolve prior to the occurrence of a Liquidating Event.

The event described in Section 8.1(ii) shall not constitute a Liquidating Event until such time as the Company is otherwise required to dissolve, and commence winding up and liquidating.

8.2 WINDING UP

Upon the occurrence of a Liquidating Event, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members and no Member shall take any action that is inconsistent with, or not appropriate for, the winding up of the Company's business and affairs. To the extent not inconsistent with the foregoing, this Agreement shall continue in full force and effect until such time as the Company's Property has been distributed pursuant to this Section 8.2 and the Certificate has been canceled in accordance with the Act. The Managing Member shall be responsible for overseeing the winding up and dissolution of the Company, shall take full account of the Company's liabilities and Property, shall cause the Company's Property to be liquidated as promptly as is consistent with obtaining the fair value thereof, and shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed in the following order:

(1) First, to the payment of all of the Company's debts and liabilities (other than Member Loans) to creditors other than the Members and to the payment of the expenses of liquidation;

(2) Second, to the payment of all Member Loans and all of the Company's debts and liabilities to the Members in the following order and priority:

(1) first, to the payment of all debts and liabilities owed to any Member other than in respect of Member Loans;

(2) second, to the payment of all accrued and unpaid interest on Member Loans, such interest to be paid to each Member and its Affiliates (considered as a group) pro rata in proportion to the interest owed to each such group; and

(3) third, to the payment of the unpaid principal amount of all Member Loans, such principal to be paid to each Member and its Affiliates (considered as a group) pro rata in proportion to the outstanding principal owed to each such group;

(3) Third, in an amount equal to the unpaid cumulative Preferred Return;

(4) Fourth, in an amount equal to the Preferred Capital Amount;

(5) The balance, if any, to the Members in accordance with their Capital Accounts, after giving effect to all contributions, distributions and allocations for all periods;

(6) In the discretion of the Managing Member, a pro rata portion of the distributions that would otherwise be made to the Members pursuant to this Section 8.2 may be:

(1) distributed to a trust established for the benefit of the Members for the purposes of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company. The assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Managing Member, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Section 8.2; or

(2) withheld to provide a reasonable reserve for Company liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Company, PROVIDED that such withheld amounts shall be distributed to the Members as soon as practicable; and

(7) Any such distributions to the Members in respect of their Capital Accounts shall be made in accordance with the time requirements set forth in Treas. Regs. ss.1.704-1(b)(2)(ii)(b)(2).

Each Member and each of its Affiliates (as to Member Loans only) agrees that by accepting the provisions of this Section 8.2 setting forth the priority of the distribution of the assets of the Company to be made upon its liquidation, such Member or Affiliate expressly

waives any right which it, as a creditor of the Company, might otherwise have under the Act to receive distributions of assets pari passu with the other creditors of the Company in connection with a distribution of assets of the Company in satisfaction of any liability of the Company, and hereby subordinates to said creditors any such right.

Notwithstanding the foregoing, in the event that the Managing Member shall determine that an immediate sale of part of all the Property would cause undue loss to the Members, or in the event that the Managing Member determines that it would be in the best interests of the Members to distribute the Property to the Members in-kind (which distributions do not, as to the in-kind portions, have to be in the same proportions as they would be if cash were distributed, but all such in-kind distributions shall be equalized, to the extent necessary, with cash), then the Managing Member may either defer liquidation of, and withhold from distribution for a reasonable time, any of the Property except that necessary to satisfy the Company's debts and obligations, or distribute the Property to the Members in-kind.

8.3 DEEMED DISTRIBUTION AND RECONTRIBUTION

Notwithstanding any other provision of this Section 8, in the event the Company is liquidated within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations but no Liquidating Event has occurred, the Property shall not be liquidated, the Company's liabilities shall not be paid or discharged, and the Company's affairs shall not be wound up. Instead, solely for federal income tax purposes, the Company shall be deemed to have distributed the Property in kind to the Members, who shall be deemed to have assumed and taken subject to all Company liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the Members shall be deemed to have recontributed the Property in kind to the Company, which shall be deemed to have assumed and taken subject to all such liabilities.

8.4 RIGHTS OF MEMBERS

Except as otherwise provided in this Agreement, (a) each Member shall look solely to the assets of the Company for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Company, and (b) no Member shall have priority over any other Member as to the return of its Capital Contributions, distributions, or allocations.

If, after the Company ceases to exist as a legal entity, a Member is required to make a payment to any Person on account of any activity carried on by the Company, such paying Member shall be entitled to reimbursement from each other Member consistent with the manner in which the economic detriment of such payment would have been borne had the amount been paid by the Company immediately prior to its cessation.

8.5 NOTICE OF DISSOLUTION

In the event a Liquidating Event occurs, the Managing Member shall, within 30 days thereafter, provide written notice thereof to each of the Members.

8.6 DEEMED SALE AND ALLOCATION

Upon a distribution in kind of Company Property, such Property shall be deemed to be sold for the fair market value thereof for purposes of making allocations hereunder.

SECTION 9

DISPUTE RESOLUTION

9.1 DISPUTE RESOLUTION; ARBITRATION

(1) DISPUTE RESOLUTION. Any claim, dispute, difference or controversy between Members arising out of, or relating to, this Agreement, or the subject matter hereof, which cannot be settled by mutual understanding between or among such Members, shall be initially submitted to a panel consisting of an executive management representative of each of the respective Parents of the Members who are party to the claim, dispute, difference or controversy (the "Parties"). The said representatives shall meet and use best efforts to resolve the said claim, dispute, difference or controversy.

(2) ARBITRATION. In the event that the dispute resolution procedure described in Section 9.1(a) does not result in a final resolution of the claim, dispute, difference or controversy within 90 days of the date of submission thereof for resolution, any Party may invoke the following arbitration rights.

(1) The claim, dispute, difference or controversy arising out of or in relation to this Agreement or the interpretation or breach thereof shall be referred to arbitration under the rules of the American Arbitration Association ("AAA") to the extent such rules are not inconsistent with these paragraphs. Judgment upon the award of the arbitrators may be entered in any court having jurisdiction thereof or application may be made to such court for a judicial confirmation of the award and an order of enforcement, as the case may be. The demand for arbitration shall be made within a reasonable time after the claim, dispute, difference or controversy or other matter in question, has arisen, but not before 90 days after submission thereof for resolution pursuant to Section 9.1(a), and in any event shall not be made after the date when institution of legal or equitable proceedings, based on such claim, dispute, difference or controversy or other matter in question, would be barred by the applicable statute of limitations.

(2) The independent arbitration panel shall consist of three independent arbitrators, one of whom shall be appointed by each of the Parties, if there are no more than two such Parties, and by the two Parties having the largest Percentage Interest, if there are more than two Parties, with the third to be chosen by the two arbitrators thus appointed. In the event that either Party entitled to do so does not designate an arbitrator, the other may request a United States federal judge or the Executive Secretary of the AAA to designate an arbitrator for such party; and, if the two arbitrators appointed by the Parties are unable to agree on the appointment of the third arbitrator, either arbitrator may petition the AAA to make the appointment.

(3) The place of arbitration shall be Denver, Colorado, or such other place as the parties may agree.

9.2 JURISDICTION; SERVICE OF PROCESS

(1) JURISDICTION. Each Member (a) hereby irrevocably submits itself to the non-exclusive jurisdiction of (i) the Supreme Court for the State of New York, sitting in the Borough of Manhattan, and (ii) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding brought by the other, or its respective successors or assigns, to compel submission to arbitration, in accordance with Section 9.1 hereof, or to enforce a resolution, settlement, order or award made pursuant thereto, or to enforce any obligation for the payment of money contained herein, and (iii) to the extent permitted by applicable law, hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the agreement to submit to arbitration, as provided in Section 9.1 hereof, or a resolution, settlement, order or award made pursuant thereto, or such an obligation for the payment of money, may not be enforced in or by such court. Nothing contained herein shall be deemed to waive the right of a Member to seek removal of a matter from state court to federal court if such removal is otherwise permissible.

(2) SERVICE OF PROCESS. Each Member hereby consents to service of process on it at the office for service of process set forth below as its office for service of process and additionally irrevocably designates and appoints the person named in Schedule 9.2 as its "Agent" and attorney-in-fact to receive service of process in any action, suit or proceeding with respect to any matter as to which it submits to jurisdiction as set forth above, it being agreed that service upon such attorney-in-fact shall constitute valid service upon the Member or its successors or assigns. Each Member agrees that (x) the sole responsibilities of the Agent shall be (i) to receive such process, (ii) to send a copy of any such process so received to such Member, by registered airmail, return receipt requested, at the address for it set forth in Section 10.1, or at the last address filled in writing by it with the Agent, and (iii) to give prompt telecopied notice of receipt

thereof to it at such address (y) the Agent shall have no responsibility for the receipt or nonreceipt by the respective Member of such process, nor for any performance or nonperformance by the respective Member or its respective successors or assigns, and (z) failure of the Agent to send a copy of any such process or otherwise to give notice thereof to the respective Member shall not affect the validity of such service or any judgment in any action, suit or proceeding based thereon. If service of process cannot be effected in the foregoing manner, each Member further irrevocably consents to the service of process in any action, suit or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, return receipt requested, to it at its address set forth in Section 10.1 hereof. The foregoing, however, shall not limit the right of the Member to serve process in any other manner permitted by law. Any judgment against a Member in any suit for which such Member has no further right of appeal shall be conclusive, and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and of the amount of any indebtedness or liability of such Member therein described; PROVIDED always that the plaintiff may at its option bring suit, or institute other judicial proceedings, against such Member or any of its assets in the courts of any country or place where such party or such assets may be found. Each Member further covenants and agrees that throughout the term of the Company, it shall maintain a duly appointed agent for the service of summonses and other legal processes in New York.

For purposes of this Section 9.2(b), the Agent and offices for service of process for each of the Members shall be as set forth on Schedule 2.1 or such other person or offices as shall be designated in writing by any Member to the other Member.

SECTION 10

MISCELLANEOUS

10.1 NOTICES

Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and mailed (certified or registered mail, postage prepaid, return receipt requested) or sent by hand or overnight courier, or by facsimile (with acknowledgment received), charges prepaid and addressed as follows, or to such other address or number as such Person may from time to time specify by notice to the Members:

(1) If to the Company, to the address or number set forth on Schedule 2.1;

(2) If to a Member to the address or number set forth in Schedule 2.1.

All notices and other communications given to a Person in accordance with the provisions of this Agreement shall be deemed to have been given and received (i) four Business Days after the same are sent by certified or registered mail, postage prepaid, return receipt requested, (ii) when delivered by hand or transmitted by facsimile (with acknowledgment

received and, in the case of a facsimile only, a copy of such notice is sent no later than the next Business Day by a reliable overnight courier service, with acknowledgment of receipt) or (iii) one Business Day after the same are sent by a reliable overnight courier service, with acknowledgment of receipt.

10.2 BINDING EFFECT

Except as otherwise provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Members and their respective successors, transferees, and assigns.

10.3 CONSTRUCTION

This Agreement shall be construed simply according to its fair meaning and not strictly for or against any Member.

10.4 TIME

Time is of the essence with respect to this Agreement.

10.5 TABLE OF CONTENTS; HEADINGS

The table of contents and section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement.

10.6 SEVERABILITY

Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal, invalid or unenforceable for any reason whatsoever, that term or provision will be enforced to the maximum extent permissible so as to effect the intent of the Members, and such illegality, invalidity or unenforceability shall not affect the validity or legality of the remainder of this Agreement. If necessary to effect the intent of the Members, the Members will negotiate in good faith to amend this Agreement to replace the unenforceable language with enforceable language which as closely as possible reflects such intent.

10.7 CONFIDENTIALITY

(a) Each Member and each of its Controlled Affiliates (each a "Restricted Party") shall, and shall cause its respective officers, directors, employees, attorneys, accountants, consultants and other agents and advisors (collectively, "Agents") to, keep secret and maintain in confidence the terms of this Agreement and all confidential and proprietary information and data of the Company and the other Members or their Affiliates disclosed to it (in each case, a "receiving party") in connection with the formation of the Company and the conduct of the

Company's business and in connection with the transactions contemplated by the Contribution Agreement (the "Confidential Information") and shall not disclose Confidential Information, and shall cause its respective Agents not to disclose Confidential Information, to any Person other than the Members, their Controlled Affiliates, their respective Agents that need to know such Confidential Information, or the Company. Each Member further agrees that it shall not use the Confidential Information for any purpose other than monitoring and evaluating its investment, determining and performing its obligations and exercising its rights under this Agreement. The Company and each Member shall take all reasonable measures necessary to prevent any unauthorized disclosure of the Confidential Information by any of their respective Controlled Affiliates or any of their respective Agents.

(b) Nothing herein shall prevent the Company, any Restricted Party or its Agents from using, disclosing or authorizing the disclosure of, Confidential Information it receives in the course of the business of the Company which:

(i) has been published or is in the public domain through no fault of the receiving party;

(ii) prior to receipt hereunder was properly within the legitimate possession of the receiving party or, subsequent to receipt hereunder (or under such Agreement), is lawfully received from a third party having rights therein without restriction of the third party's right to disseminate the Confidential Information and without notice of any restriction against its further disclosure;

(iii) is independently developed by the receiving party through parties who have not had, either directly or indirectly, access to or knowledge of such Confidential Information;

(iv) is disclosed to a third party with the written approval of the party originally disclosing such information, PROVIDED that such Confidential Information shall cease to be confidential and proprietary information covered by this Agreement only to the extent of the disclosure so consented to;

(v) subject to the receiving party's compliance with paragraph (d) below, is required to be produced under order of a court of competent jurisdiction or other similar requirements of a governmental agency, PROVIDED that such Confidential Information to the extent covered by a protective order or equivalent shall otherwise continue to be Confidential Information required to be held confidential for purposes of this Agreement; or

(vi) subject to the receiving party's compliance with paragraph (d) below, is necessary or advisable to be disclosed under applicable law or under the rules of a stock exchange or association on which such receiving party's securities (or those of its Affiliate) are listed.

(c) Notwithstanding this Section 10.7, any Member may provide Confidential Information (i) to other Persons considering the consummation of a Permitted Transaction with respect to such Member or (ii) to any financial institution in connection with the provision of funds by such financial institution to such Member, so long as prior to any such disclosure such other Person or financial institution executes a confidentiality agreement that provides protection substantially equivalent to the protection provided the Members and the Company in this Section 10.7.

(d) In the event that any receiving party (i) determines that it is necessary or advisable to disclose Confidential Information under applicable law (other than under the requirements of a stock exchange or association on which such receiving party's securities or those of its Affiliates are listed) or (ii) becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoenas, civil investigative demands or otherwise) to disclose any Confidential Information, the receiving party shall provide the disclosing party with prompt written notice so that in the case of clause (i), the disclosing party can work with the receiving party to limit the disclosure to the extent practicable, or in the case of clause (ii), the disclosing party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Agreement. In the case of said clause (ii) and in the event that the disclosing party is unable to obtain a protective order or other appropriate remedy, or if the disclosing party so directs, the receiving party shall, and shall cause its employees to, exercise all commercially reasonable efforts to obtain a protective order or other appropriate remedy at the disclosing party's reasonable expense. Failing the entry of a protective order or other appropriate remedy or receipt of a waiver hereunder, the receiving party shall furnish only that portion of the Confidential Information which it is advised by opinion of its counsel is legally required to be furnished and shall exercise all commercially reasonable efforts to obtain reliable assurance that confidential treatment shall be accorded such Confidential Information, it being understood that such reasonable efforts shall be at the cost and expense of the disclosing party whose Confidential Information has been sought.

10.8 FURTHER ACTION

Each Member, upon the reasonable request of the Managing Member, agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the intent and purposes of this Agreement.

10.9 GOVERNING LAW

The validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Members hereunder shall be governed by the substantive laws of the State of Delaware without regard to the principles of conflict of laws of the State of Delaware or any other jurisdiction (except those that cannot be waived) that would call for the application of the substantive law of any jurisdiction other than the State of Delaware.

10.10 WAIVER OF ACTION FOR PARTITION

Each Member irrevocably waives any right that it may have to maintain any action for partition with respect to any of the Property; PROVIDED that the foregoing shall not be construed to apply to any action by a Member for the enforcement of its rights under this Agreement. Each Member waives its right to seek a court decree of dissolution (other than a dissolution in accordance with Section 8) or to seek appointment of a court receiver for the Company as now or hereafter permitted under applicable law.

10.11 COUNTERPART EXECUTION

This Agreement may be executed in any number of counterparts with the same effect as if all the Members had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

10.12 SPECIFIC PERFORMANCE

Each Member agrees with the other Members that the other Members would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that monetary damages would not provide an adequate remedy in such event. Accordingly, in addition to any other remedy to which the nonbreaching Members may be entitled, at law or in equity, the nonbreaching Members shall be entitled to injunctive relief to prevent breaches of this Agreement and specifically to enforce the terms and provisions hereof.

10.13 ENTIRE AGREEMENT

The provisions of this Agreement set forth the entire agreement and understanding between the Members pertaining to the subject matter hereof and supersede all prior agreements, oral or written, representations, discussions, negotiations and other communications between the Members pertaining to the subject matter hereof.

10.14 LIMITATION ON RIGHTS OF OTHERS

Nothing in this Agreement, whether express or implied, shall be construed to give any Person other than the Members and their respective successors and permitted assigns any legal or equitable right, remedy or claim under or in respect of this Agreement.

10.15 WAIVERS; REMEDIES

The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party or parties entitled to enforce such term, but any such waiver shall be effective only if in a writing signed by the party or parties against which such waiver is to be asserted. Except as otherwise provided herein, no failure or delay of any Member in exercising any power or right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or

any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

10.16 AMENDMENT

This Agreement may be amended only in a writing signed by all Members expressly stating that it is an amendment to this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Limited Liability Company Agreement as of the day first above set forth.

ARCH WESTERN ACQUISITION CORPORATION

By: /s/ Jeffry N. Quinn

Name: Jeffry N. Quinn
Title: President

DELTA HOUSING INC.

By: Terry G. Dallas

Name: Terry G. Dallas
Title: Vice President

EXHIBIT 2.4

TAX SHARING AGREEMENT

This TAX SHARING AGREEMENT ("Agreement") is entered into as of the 1st day of June, 1998, by and among Arch Coal, Inc., a Delaware corporation ("Arch"), Arch Western Acquisition Corporation, a Delaware corporation ("Arch Member"), Arch Western Resources LLC, a Delaware limited liability company ("Company"), and Delta Housing Inc., a Delaware corporation ("ARCO Member").

WHEREAS, with the execution and delivery of this Agreement, Arch Member and ARCO Member have entered into a Limited Liability Company Agreement (the "Company Agreement") with respect to the formation and capitalization of the Company pursuant to a Contribution Agreement among (among others) the parties hereto (the "Contribution Agreement"); and

WHEREAS, Arch, Arch Member and ARCO Member desire to evidence their agreement regarding amounts that may be payable as a result of certain actions being taken, or a failure to take certain actions, regarding the Company, its assets and membership interests or upon the receipt of any unintended benefit.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1
CERTAIN DEFINITIONS

1.1 DEFINITIONS.

The following capitalized terms used in this Agreement have the following meanings:

"Allocable Indemnified Debt" means the amount of Company Debt and Successor Debt allocable to the ARCO Member under Section 752 of the Code and includible in the ARCO Member's basis in its Membership Interest determined at the date of original issuance or substantial modification within the meaning of Treas. Reg. section 1.1001-3, in each case as in effect on the date hereof and otherwise based on applicable law on the date hereof.

"Arch Indemnifiable Event" means any of the following actions undertaken (except as otherwise provided in (7) below) by Arch, Arch Member, Arch Affiliate, the Managing Member, or the Company (except to the extent that the ARCO Member has consented

to such action and executed a written waiver of its rights to collect payment for such event under this Agreement):

(1) A repayment, acceleration that results in a reduction in principal amount (either actual or as determined under federal income tax principles) or other reduction in principal amount of all or part of the Company Debt or Successor Debt (except by means of refunding of the Company Debt with Successor Debt with a principal amount equal to the principal amount of the Company Debt immediately prior to such refunding);

(2) An express guarantee, indemnification, reimbursement agreement, pledge of collateral or any other payment or payment related obligation for the direct benefit of creditors of the Company by Arch, an Arch Affiliate, an Arch Transferee or Arch Member with respect to the Company Debt or Successor Debt, except to the extent set forth in the Company Agreement or Contribution Agreement (including the making or repayment of Arch Intercompany Loans, as defined in the Company Agreement);

(3) A refinancing of all or part of the Company Debt or Successor Debt if the principal amount of the Successor Debt (either actual or as determined under federal income tax principles) is less than the principal amount of the Company Debt immediately prior to such refinancing;

(4) A classification of the Company as a corporation for federal income tax purposes or a merger or consolidation of the Company into a corporation or the transfer of substantially all of the assets of the Company to a corporation;

(5) The Dissolution or liquidation of the Company;

(6) An amendment or modification of the terms of the Company Debt or Successor Debt or other agreement with an obligee thereof pursuant to which Arch, Arch Member, the Company and such obligee agree (i) no Member will be liable for the Company Debt or Successor Debt (including pursuant to the ARCO Member Guarantee) or (ii) that any Member (or Affiliate of any Member) other than the ARCO Member (or Affiliate of the ARCO Member) is liable, pursuant to a guarantee or otherwise, for satisfaction of the Company Debt or Successor Debt; or

(7) A repayment or other reduction in principal amount of all or part of the Company Debt or Successor Debt arising upon the insolvency or bankruptcy (including an Involuntary Bankruptcy) of the Company, Arch Member or Arch (except by means of refunding of the Company Debt with Successor Debt with a principal amount equal to the principal amount (either actual or as determined under federal income tax principles) of the Company Debt immediately prior to such refunding in bankruptcy or insolvency).

"Arch Transferee" means any person, or affiliate of any person, who becomes a member of the Company as a result of being a successor in interest to all or any part of the Arch Member's interest or by action of Arch, an Arch Affiliate, the Managing Member or Arch Member.

"ARCO Contributed Assets" means the assets, properties, and rights of the entities contributed to the Company by ARCO or the ARCO Member, including the interests in the contributed entities.

"Current Tax Excess" means an amount equal to the product of (i) the excess of any taxable income or gain of the ARCO Member resulting solely from the occurrence of an event set forth in Section 2(a) of this Agreement over the Remaining Gain Recognition Amount and (ii) the Tax Rate. For purposes of the foregoing calculations, the gain on sale or taxable disposition of an ARCO Contributed Asset will be limited to the amount of gain or income allocated to the ARCO Member pursuant Section 704(c) of the Code.

"Damages" means an amount equal to the Current Tax Excess divided by one minus the Tax Rate (calculated in accordance with the method set out in the example (which assumes current tax rates) on Schedule A, attached hereto) and all interest, penalties, and additions to the tax as well as all reasonable out of pocket costs incurred by the ARCO Member in connection with the determination, receipt or collection of Damages to the extent that such interest, penalties or additions to tax reasonably relate to a failure by the Arch Member to provide timely notice to ARCO Member of an event described in Section 2(a) of this Agreement or to make timely payment of Damages in accordance with this Agreement.

"Discount Rate" means two percent (2%) per quarter.

"Federal Rate" means the highest marginal federal income tax rate or rates applicable to ordinary income or capital gain, as the case may be, applicable to domestic corporate taxpayers in effect for the year in issue.

"Final Determination" means with respect to any issue or item (i) the execution of a final and irrevocable closing agreement or other settlement agreement with the Internal Revenue Service or the relevant state or local taxing authorities, (ii) the expiration of the time for filing a claim for refund or, if a refund claim has been timely filed, the expiration of the time for instigating suit in respect of such refund claim, (iii) the expiration of the time for filing a petition with the Tax Court or the relevant state or local tribunal if no such petition has been filed and no suit has been instigated in respect of the subject matter of such petition, or (iv) a final, unappealable decision of any court of competent jurisdiction.

"Remaining Gain Recognition Amount" means (a) in the case of an asset sale, the present value (computed by using a discount rate equal to the Discount Rate) of the taxable income or gain attributable to the assets sold and recognized by the ARCO Member as a result of allocations under Section 704(c) of the Code as if such income or gain had been recognized on the 15th anniversary of the Closing Date and (b) in the case of a reduction in Allocable Indemnified Debt, the present value (computed by using a discount rate equal to the Discount Rate) of the income or gain recognized by the ARCO Member as if such income or gain had been recognized on the 15th anniversary of the Closing Date.

"Section 7.4(b) Call Event" means the consummation of a purchase and sale of the ARCO Member Interest effected pursuant to the exercise by Arch Member of its right to purchase the ARCO Member Interest under Section 7.4(b) of the Company Agreement.

"Tax Rate" means the sum of (i) 4% plus (ii) the Federal Rate.

1.2 ADDITIONAL DEFINITIONS.

Capitalized terms used in this Agreement and not defined in Section 1.1 or elsewhere in this Agreement shall have the respective meanings ascribed to such terms in the Company Agreement and the Contribution Agreement.

1.3 TERMS GENERALLY.

The definitions in Sections 1.1 and 1.2 and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein", "hereof" and "hereunder" and words of similar import refer to this Agreement (including the Schedules) in its entirety and not to any part hereof unless the context shall otherwise require. All references herein to Sections shall be deemed references to Sections of this Agreement unless the context shall otherwise require. Unless the context shall otherwise require, any references to any agreement or other instrument or statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any corresponding provisions of successor statutes or regulations). Any reference in this Agreement to a "day" or number of "days" (without the explicit qualification of "Business") shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day.

SECTION 2
DAMAGES

(a) If any of the following events occur: (i) the sale or other taxable disposition prior to the 15th anniversary of the Closing Date of all or any part of the ARCO Contributed Assets, (ii) a Section 7.4(b) Call Event, or (iii) a reduction in the amount of Allocable Indemnified Debt due to an Arch Indemnifiable Event, then Arch or Arch Member jointly and severally agree to pay to the ARCO Member in accordance with Section 2(b) below an amount equal to the Damages, if any, incurred by ARCO or the ARCO Member as a result of the occurrence of any such event.

(b) Within ninety (90) days after the occurrence of any event specified in Section 2(a), Arch or Arch Member will (i) pay Damages to the ARCO Member and (ii) provide sufficient documentation to support the calculation of amounts paid.

(c) The making of a payment by Arch and Arch Member under this Section 2 shall be the sole and exclusive remedy of ARCO Member and its Affiliates with respect to any tax liability incurred in connection with this Agreement, the Company Agreement or the transactions contemplated hereby or thereby, other than with respect to any damages arising out of a breach of Sections 2.5 and 2.7 of the Contribution Agreement.

(d) ARCO Member shall have the right to audit (i) the balance sheets of the Company and its controlled affiliates, (ii) Company records of asset sales or disposition, (iii) all modifications of the Company contracts, and (iv) the calculation of Damages or Tax Benefit True-Up by the Company or Arch Member pursuant to this Tax Sharing Agreement. ARCO Member shall also have the right to audit the calculation of the tax basis of its Membership interest.

(e) ARCO Member or the Company or the Arch Member, as the case may be, shall take such reasonable steps as requested by Arch or Arch Member, on the one hand, or ARCO or ARCO Member, on the other hand, to avoid a reduction in the Allocable Indemnified Debt.

(f) Notwithstanding any other provision of this Agreement (other than Section 2(e) of this Agreement) or any provision of the Company Agreement, neither Arch nor Arch Member shall be liable for Damages to the extent (i) such Damages are incurred as a direct result of the ARCO Guarantee having been refuted, repudiated, withdrawn in a manner that is legally effective to extinguish such guarantee, or having been found unenforceable, or otherwise being inapplicable or ineffective to guarantee the Company Debt or Successor Debt, or non-recourse as to the ARCO Member, in whole or in part, other than as a direct result of an action by Arch, Arch Member, an Arch Affiliate, an Arch Transferee, or the Company, (ii) such Damages relate to transactions contemplated by the Contribution Agreement or Company Agreement that occur on or before the Closing Date, or (iii) such Damages are incurred as a direct result of a change in applicable law.

(g) If at any time on or before the 15th anniversary of the Closing Date, ARCO or ARCO Member receives a refund of Damages or a tax benefit giving rise to cash tax savings with respect to such Damages, ARCO Member, within 90 days after receipt of any such refund or realization of any such cash tax savings, shall pay an amount to Arch Member equal to such refund or savings.

(h) Nothing contained in this Agreement shall be construed to permit a party to receive a double benefit or compensation with respect to Damages or payments described in Section 3.

(i) The section 704(c) gain amount as of the Closing Date attributable to the ARCO Contributed Assets will be reduced by any positive basis adjustments resulting from a Final Determination described in Section 3.

SECTION 3
TAX BENEFIT TRUE-UP

If there is a Final Determination of a federal income tax liability of ARCO or an ARCO Affiliate arising from the contribution of the ARCO Contributed Assets or the distribution to the ARCO Member pursuant to Section 4.1 of the Company Agreement and Arch Member or an Arch Affiliate receives an actual cash tax benefit as a result of such determination, Arch shall pay to ARCO an amount equal to the ARCO Tax Benefit Amount (as defined below).

Any deduction or credit not resulting in actual cash tax savings for the taxable period shall be carried forward to succeeding taxable years, provided, however, no ARCO Tax Benefit Amount shall accrue with respect to tax savings for Arch or Arch Member in a tax year beginning after the 15th anniversary of the Closing Date. Any actual cash tax benefit shall be deemed realized in the year that such deduction or credit (including a carryforward of such deduction or credit in the form of a net operating loss or otherwise) gives rise to an actual reduction in the amount of income tax paid by Arch Member or Arch for such year. All payments pursuant to this Section 3 shall be made within 30 days after the filing of the applicable tax return for the period in which such deduction or credit results in a cash tax benefit.

"ARCO Tax Benefit Amount" means an amount equal to (i) the actual tax savings produced by such deduction or credit less (ii) the present value (calculated using a discount rate equal to the Discount Rate) of the cash tax savings that would have been realized if such deduction or credit had been realized on the 15th anniversary of the Closing Date and (iii) further reduced by the present value (calculated using a discount rate equal to the Discount Rate) of lost tax savings to Arch or Arch Member that is directly attributable a deduction or credit that Arch or Arch Member is prevented from utilizing due to the expiration of the applicable statute of limitations. The amount of any such tax savings for any given period shall be the amount of the federal income taxes reflected on such return for such period or, in the case of a future tax savings amount, the amount of federal income taxes that would have been reflected on such return, as compared to the federal income taxes that would have been reflected on such return in the absence of such deduction or credit.

SECTION 4
DISPUTE RESOLUTION

4.1 DISPUTE RESOLUTION: ARBITRATION.

(a) Dispute Resolution. Any claim, dispute, difference or controversy between the parties hereto (individually "Party" or collectively "Parties") arising out of, or relating to, this Agreement, or the subject matter hereof, which cannot be settled by mutual understanding between or among the Parties, shall be initially submitted to a panel consisting of an executive management representative of each of the respective Parents of the Parties who are party to the claim, dispute, difference or controversy. The said representatives shall meet and use best efforts to resolve the said claim, dispute, difference or controversy.

(b) Arbitration. In the event that the dispute resolution procedure described in Section 4.1(a) does not result in a final resolution of the claim, dispute, difference or controversy within 90 days of the date of submission thereof for resolution, any Party may invoke the following arbitration rights.

(i) The claim, dispute, difference or controversy arising out of or in relation to this Agreement or the interpretation or breach thereof shall be referred to arbitration under the rules of the American Arbitration Association ("AAA") to the extent such rules are not inconsistent with these paragraphs. Judgment upon the award of the arbitrators may be entered in any court having jurisdiction thereof or application may be made to such court for a judicial confirmation of the award and an order of enforcement, as the case may be. The demand for arbitration shall be made within a reasonable time after the claim, dispute, difference or controversy or other matter in question, has arisen, but not before 90 days after submission thereof for resolution pursuant to Section 4.1(a), and in any event shall not be made after the date when institution of legal or equitable proceedings, based on such claim, dispute, difference or controversy or other matter in question, would be barred by the applicable statute of limitations.

(ii) The independent arbitration panel shall consist of three independent arbitrators, one of whom shall be appointed by each of the Parties, if there are no more than two such Parties, and by the two Parties having the largest Percentage Interest, if there are more than two Parties, with the third to be chosen by the two arbitrators thus appointed. In the event that either Party entitled to do so does not designate an arbitrator, the other may request a United States federal judge or the Executive Secretary of the AAA to designate an arbitrator for such party; and, if the two arbitrators appointed by the Parties are unable to agree on the appointment of the third arbitrator, either arbitrator may petition the AAA to make the appointment.

(iii) The place of arbitration shall be New York, New York.

4.2 JURISDICTION; SERVICE OF PROCESS.

(a) Jurisdiction. Each Party (a) hereby irrevocably submits itself to the nonexclusive jurisdiction of (a) the Supreme Court for the State of New York, situated in the Borough of Manhattan, and (b) the United States District Court for the Southern District of New York for the purposes of any suit, action or other proceeding brought by the other, or its respective successors or assigns, to compel submission to arbitration, in accordance with Section 4.1 hereof, or to enforce a resolution, settlement, order or award made pursuant thereto, or to enforce any obligation for the payment of money contained herein, and (ii) to the extent permitted by applicable law, hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the agreement to submit to arbitration, as provided in Section 3.1 hereof, or a resolution, settlement, order or award made pursuant thereto, or such an obligation for the payment of money, may not be enforced in or by such court. Nothing contained herein shall be deemed to waive the right of a Party to seek removal of a matter from state court to federal court if such removal is otherwise permissible.

(b) Service of Process. Each Party hereby consents to service of process on it at the office for service of process set forth below as its office for service of process and additionally irrevocably designates and will appoint a person as its Agent and attorney-in-fact to receive service of process in any action, suit or proceeding with respect to any matter as to which it submits to jurisdiction as set forth above, it being agreed that service upon such attorney-in-fact shall constitute valid service upon the Party or its successors or assigns. Each Party agrees that (x) the sole responsibilities of the Agent shall be (i) to receive such process, (ii) to send a copy of any such process so received to such Party, by registered airmail, return receipt requested, at the address for it set forth in Section 5.1 of the Company Agreement, or at the last address filed in writing by it with the Agent, and (iii) to give prompt telecopied notice of receipt thereof to it at such address (y) the Agent shall have no responsibility for the receipt or nonreceipt of the respective Party of such process, nor for any performance or nonperformance by the respective Party or its respective successors or assigns, and (z) failure of the Agent to send a copy of any such process or otherwise to give notice thereof to the respective Party shall not affect the validity of such service or any judgment in any action, suit or proceeding based thereon. If service of process cannot be effected in the foregoing manner, each Party further irrevocably consents to the service of process in any action, suit or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, return receipt requested, to it at its address set forth in Section 5.1 hereof. The foregoing, however, shall not limit the right of the Parties to serve process in any other manner permitted by law. Any judgment against a Party in any suit for which such Party has no further right of appeal shall be conclusive, and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and of the amount of any indebtedness or liability of such Party therein described; provided always that the plaintiff may at its option bring suit, or institute other judicial proceedings, against such Party or any of its assets in the courts of any country or place

where such Party or such assets may be found. Each Party further covenants and agrees that throughout the term of the Company, it shall maintain a duly appointed agent for the service of summonses and other legal processes in the State of New York.

For purposes of this Section 4.2(b), the Agent and offices for service of process for each of the Parties shall be as set forth on Schedule 9.2 to the Company Agreement or such other Person or offices as shall be designated in writing by any Party to the other Parties.

4.3 CONDUCT OF AUDITS, LITIGATION.

(a) CONTROL OF AUDITS AND JUDICIAL PROCEEDINGS. ARCO shall have the exclusive right (i) to control any audit, conference or other proceeding with the Internal Revenue Service or the relevant state or local authorities, or any judicial proceedings concerning the determination of the ARCO Group tax liability, (ii) pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and (iii) to compromise or settle any adjustment or deficiency proposed, asserted or assessed as a result of any such proceeding. ARCO shall bear any costs relating to any proceedings described in this Section 4.3(a).

(b) SETTLEMENTS INVOLVING MATERIAL SECTION 3 CLAIMS. ARCO may not pay, settle, compromise or concede any adjustments at the examination level, at appeals or in any judicial proceeding that are reasonably likely to give rise to a material claim under Section 3 of this Agreement without giving written notice to Arch to that effect. Such notice shall include the material terms of the settlement and the projected dollar amount of the aggregate basis adjustment. ARCO may settle, compromise or concede any such adjustment, after providing such notice, unless Arch delivers, at Arch's expense, within 15 days following the date that ARCO provides such notice, a written opinion from an independent nationally recognized law firm to the effect that such settlement is unreasonable on the merits as a stand alone issue. In the event that Arch provides such opinion, ARCO may not settle the issue on the proposed terms unless it provides Arch with a written opinion from an independent nationally recognized law firm that such payment, settlement, compromise or concession is as favorable a result on that issue as is predicted to be the result that would be obtained in further administrative proceedings or litigation as a stand alone issue.

(c) Notwithstanding the foregoing, ARCO shall not be precluded in its sole and absolute discretion from paying, settling, compromising or conceding any proposed adjustment or determination with respect to which ARCO agrees to waive any claims that it may have under Section 3 of this Agreement with respect to such claims.

SECTION 5
MISCELLANEOUS

5.1 INTEREST ON DELINQUENT PAYMENTS.

Any payment required by this Agreement that is not made on or before the date provided herein shall bear interest after such date at the interest rate per annum announced publicly by Citibank, N.A. in New York, New York from time to time as Citibank, N.A.'s base rate.

5.2 NOTICES.

Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and mailed (certified or registered mail, postage prepaid, return receipt requested) or sent by hand or overnight courier, or by facsimile (with acknowledgment received), charges prepaid and addressed as provided in Section 10.1 of the Company Agreement, or to such other address or number as any Party may from time to time specify by notice to the other.

All notices and other communications given to a Person in accordance with the provisions of this Agreement shall be deemed to have been given and received (i) four (4) Business Days after the same are sent by certified or registered mail, postage prepaid, return receipt requested, (ii) when delivered by hand or transmitted by facsimile (with acknowledgment received and, in the case of a facsimile only, a copy of such notice is sent no later than the next Business Day by a reliable overnight courier service, with acknowledgment of receipt) or (iii) one (1) Business Day after the same are sent by a reliable overnight courier service, with acknowledgment of receipt.

5.3 BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, transferees, and assigns.

5.4 CONSTRUCTION.

This Agreement shall be construed simply according to its fair meaning and not strictly for or against any Party.

5.5 TIME.

Time is of the essence with respect to this Agreement.

5.6 HEADINGS.

The section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement.

5.7 SEVERABILITY.

Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal, invalid or unenforceable for any reason whatsoever, that term or provision will be enforced to the maximum extent permissible so as to effect the intent of the Parties, and such illegality, invalidity or unenforceability shall not affect the validity or legality of the remainder of this Agreement. If necessary to effect the intent of the Parties, the Parties will negotiate in good faith to amend this Agreement to replace the unenforceable language with enforceable language which as closely as possible reflects such intent.

5.8 CONFIDENTIALITY.

Each Party and its Controlled Affiliates shall, and shall cause their respective Agents to, keep secret and maintain in confidence the terms of this Agreement and all confidential and proprietary information and data of the other Party disclosed to it in connection with the transactions contemplated by this Agreement, all as provided in Section 10.1 of the Company Agreement.

5.9 GOVERNING LAW.

The internal laws of the State of Delaware (without regard to principles of conflict of law) shall govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Parties.

5.10 COUNTERPART EXECUTION.

This Agreement may be executed in any number of counterparts with the same effect as if all the Parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

5.11 LIMITATION ON RIGHTS OF OTHERS.

Nothing in this Agreement, whether express or implied, shall be construed to give any Person other than the Parties and their respective successors and permitted assigns any legal or equitable right, remedy or claim under or in respect of this Agreement.

5.12 WAIVERS; REMEDIES.

The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Party or Parties entitled to enforce such term, but any such waiver shall be effective only if in a writing signed by the Party or Parties against which such waiver is to be asserted. Except as otherwise provided herein, no failure or delay of any Party in exercising any power or right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

5.13 AMENDMENT.

This Agreement may be amended only in writing signed by each Party expressly stating that it is an amendment to this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Tax Sharing Agreement as of the day first above set forth.

ARCH COAL, INC.

/s/ David B. Peugh

By: David B. Peugh
Title: Vice President

ARCH WESTERN ACQUISITION CORPORATION

/s/ Jeffry N. Quinn

By: Jeffry N. Quinn
Title: President

DELTA HOUSING INC.

/s/ Terry G. Dallas

By: Terry G. Dallas
Title: Vice President

EXHIBIT 4.1

$600,000,000 REVOLVING CREDIT FACILITY
$300,000,000 TERM LOAN
CREDIT AGREEMENT

by and among

ARCH COAL, INC.

and

THE LENDERS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION,

as

Administrative Agent

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

as

Syndication Agent

and

FIRST UNION NATIONAL BANK,

as Documentation Agent

Dated as of June 1, 1998

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LIST OF SCHEDULES AND EXHIBITS

SCHEDULES

EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of June 1, 1998, and is made by and among ARCH COAL, INC., a Delaware corporation (the "Borrower"), the LENDERS (as hereinafter defined), MORGAN GUARANTY TRUST COMPANY OF NEW YORK, in its capacity as syndication agent, FIRST UNION NATIONAL BANK, in its capacity as documentation agent, and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative 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 $600,000,000 and a $300,000,000 term loan facility;

WHEREAS, the revolving credit and term loan facilities shall be used to finance the Acquisition Transactions (as hereinafter defined), to refinance the Existing Credit Facility 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:

ACC shall mean the U.S. operations of ARCO Coal Company, a division of ARCO.

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

ACC BALANCE SHEET shall mean the audited, consolidated balance sheet of ACC as of December 31, 1997.

ACC GROUP shall mean collectively, ARCO and each Affiliate of ARCO party to any Acquisition Document.

ACQUISITION shall mean the transactions contemplated by the Purchase Agreement and the Contribution Agreement, as such documents may be amended, modified or supplemented after the Closing Date as permitted by Section 7.2.15.

ACQUISITION DOCUMENTS shall mean collectively the Purchase Agreement, the Contribution Agreement, the Tax Sharing Agreement, and the LLC Agreements, as limited by their schedules and exhibits, as the same may be amended, modified or supplemented after the Closing Date as permitted by Section 7.2.15.

ACQUISITION TRANSACTIONS shall mean transactions contemplated by the Purchase Agreement.

ADMINISTRATIVE AGENT shall mean PNC Bank, National Association, in its capacity as administrative agent for the Lenders under this Agreement and its successors in such capacity.

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. Notwithstanding the foregoing, a Subsidiary of the Borrower (other than an Excluded Subsidiary) shall not be deemed an Affiliate of the Borrower.

AGENTS shall mean collectively the Administrative Agent, the Documentation Agent and the Syndication Agent, and Agent shall mean any one 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 as set forth in the pricing grid on SCHEDULE 1.1(A) PART (A) below the heading "Facility Fee"; or (ii) of Debt Rating for any period a Debt Rating is in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (B) 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). Notwithstanding the foregoing, it is expressly agreed that through and including the Initial Delivery Date, the Applicable Facility Fee Rate shall be such rate as computed in accordance with the parameters set forth on SCHEDULE 1.1(A) but no less than the rate set forth in the pricing grid in Level IV of PART (A) of SCHEDULE 1.1(A). For periods after the Initial Delivery Date until such time as the Borrower's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Facility Fee Rate shall be the amount determined under Part (A) of SCHEDULE 1.1(A) (based upon the Leverage Ratio), and for any period thereafter when a Debt Rating is in effect the Applicable Facility Fee Rate shall be the amount determined under Part (B) of SCHEDULE 1.1(A).

APPLICABLE LETTER OF CREDIT FEE RATE shall mean the rate per annum at the indicated level (i) of Leverage Ratio for any period during which a Debt Rating is not in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (A) below the heading "Letter of Credit Fee," or (ii) of Debt Rating, for any period a Debt Rating is in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (B) 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). Notwithstanding the foregoing, it is expressly agreed that through and including the Initial Delivery Date, the Applicable Letter of Credit Fee Rate shall be such rate as computed in accordance with the parameters set forth on SCHEDULE 1.1(A) but no less than the rate set forth in the pricing grid in Level IV of PART (A) of SCHEDULE 1.1(A). For periods after the Initial Delivery Date until such time as the Borrower's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Letter of Credit Fee Rate shall be the amount determined under PART (A) of SCHEDULE 1.1(A) (based upon the Leverage Ratio), and for any period thereafter when a Debt Rating is in effect, the Applicable Letter of Credit Fee Rate shall be the amount determined under PART (B) of SCHEDULE 1.1(A).

APPLICABLE MARGIN shall mean, as applicable:

(A) the percentage spread to be added to Euro-Rate under the Revolving Credit Euro-Rate Option at the indicated level of Leverage Ratio for any period during which a Debt Rating is not in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (A) below the heading "Revolving Credit Euro-Rate Spread,"

(B) the percentage spread to be added to Euro-Rate under the Revolving Credit Euro-Rate Option at the indicated level of Debt Rating for any period during which a Debt Rating is in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (B) below the heading "Revolving Credit Euro-Rate Spread,"

(C) the percentage spread to be added to Euro-Rate under the Term Loan Euro-Rate Option at the indicated level of Leverage Ratio for any period during which a

Debt Rating is not in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (A) below the heading "Term Loan Euro-Rate Spread," or

(D) the percentage spread to be added to Euro-Rate under the Term Loan Euro-Rate Option at the indicated level of Debt Rating for any period during which a Debt Rating is in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (B) below the heading "Term Loan Euro-Rate Spread."

The Applicable Margin shall be computed in accordance with the parameters set forth on SCHEDULE 1.1(A). Notwithstanding the foregoing, it is expressly agreed that following the Closing Date through and including the Initial Delivery Date, the Applicable Margin shall be such amount as determined in accordance with SCHEDULE 1.1(A) but no less than the amount set forth in the pricing grid in Level IV of PART (A) of SCHEDULE 1.1(A). For periods after the Initial Delivery Date, until such time as the Borrower's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Margin shall be the amount determined under clause (A) or clause (C) above, and for any period thereafter when a Debt Rating is in effect the Applicable Margin shall be the amount determined under clause (B) or clause (D) above.

APPROPRIATE PERCENTAGE shall mean, with respect to each Special Subsidiary, the percentage of the equity of such Person owned by the Borrower or any Subsidiary of the Borrower.

ARCH COAL GROUP shall mean, as of any date of determination, the Borrower and its Subsidiaries (other than the Excluded Subsidiaries).

ARCH OF WYOMING LLC shall mean Arch of Wyoming, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

ARCH OF WYOMING LLC AGREEMENT shall mean that certain Limited Liability Agreement, dated as of April 15, 1998, of Arch of Wyoming LLC.

ARCH WESTERN shall mean Arch Western Resources, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

ARCH WESTERN CREDIT FACILITY shall mean that certain Credit Agreement by and among Arch Western, PNC Bank as administrative agent, Morgan as syndication agent and NationsBank N.A. as documentation agent, providing for a $675,000,000 term loan facility to Arch Western, as the same may be amended, restated, modified or supplemented from time to time after the date hereof.

ARCH WESTERN GROUP shall mean, as of any date of determination, AWAC, Arch Western and the Subsidiaries of Arch Western.

ARCH WESTERN LLC AGREEMENT shall mean that certain Limited Liability Company Agreement by and between AWAC and Delta Housing, Inc., a Delaware corporation,

dated as of June 1, 1998, with AWAC and Delta Housing, Inc. as members and creating Arch Western Resources, LLC, a Delaware limited liability company.

ARCO shall mean Atlantic Richfield Company, a corporation organized and existing under the laws of the State of Delaware.

ARRANGERS shall mean PNC and Morgan.

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).

AU SUB LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of April 8, 1998, as amended, of AU Sub LLC, a limited liability company organized and existing under the laws of the State of Delaware.

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.

AWAC shall mean Arch Western Acquisition Corporation, a corporation organized and existing under the laws of the State of Delaware.

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 Bank.

BASE NET WORTH shall mean the sum of $500,000,000, plus 50% of consolidated net income of the Borrower and its Subsidiaries (before the after-tax effect of changes in accounting principles) for each fiscal quarter in which net income was earned plus 80% of the net increase in Consolidated Tangible Net Worth resulting from the issuance of any equity securities by the Borrower, for the period from April 1, 1998 through the date of determination. In no event shall Base Net Worth be reduced on account of a consolidated net loss for any fiscal period.

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.

BASE RATE OPTION shall mean either the Revolving Credit Base Rate Option or the Term Loan Base Rate Option.

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 Banks submit Bids to make Bid Loans bearing interest at a fixed rate per annum quoted by such 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 LENDERS shall have the meaning assigned to such term in Section 8.3.

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 Lenders to the Borrower pursuant to Section 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.

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 shall mean the business of owning and operating the U.S. domestic coal properties of ACC, substantially as operated by ACC at the time of the closing of the Acquisition.

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.

CANYON FUEL shall mean Canyon Fuel Company, LLC, a limited liability company organized and existing under the laws of the State of Delaware

CANYON FUEL LLC AGREEMENT shall mean that certain Limited Liability Company agreement by and between Arch Western (or a Subsidiary of Arch Western) and Itochu Coal International, Inc., a Delaware corporation, dated as of January 1, 1997, as amended, with Arch Western and Itochu Coal International, Inc. as members of Canyon Fuel Company, LLC, a Delaware limited liability company,.

CLOSING DATE shall mean the Business Day on which the first Loan shall be made, which shall be June 1, 1998.

COASTAL AGREEMENT shall mean that certain Purchase and Sale Agreement among The Coastal Corporation, a Delaware corporation, Coastal Coal, Inc., a Delaware corporation, ARCO and Itochu Corporation, a Japanese corporation, dated as of October 23, 1996.

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 Bank the aggregate of its Revolving Credit Commitment and Term Loan Commitment and, in the case of PNC Bank, its Swing Loan Commitment, and Commitments shall mean the aggregate of the Revolving Credit Commitments, Term Loan Commitments and Swing Loan Commitment of all of the Banks.

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

COMMITTED LOAN shall mean either a Revolving Credit Loan, a Swing Loan or a Term 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 Base Rate Option or Euro-Rate Option with respect to an outstanding Revolving Credit Loan or Term Loan in accordance with Sections 2.4, 3.1 and 3.2.

CONSOLIDATED TANGIBLE NET WORTH shall mean as of any date of determination total stockholders' equity less intangible assets of the Borrower and its Subsidiaries as of such date determined and consolidated in accordance with GAAP less the positive number, if any, equal to the amount of the Investment by the Borrower and its Subsidiaries in Permitted Joint Ventures in excess of $30,000,000 and adjusted to exclude the after tax effect of any changes in accounting principles subsequent to March 31, 1998.

CONTRIBUTION AGREEMENT shall mean that certain Contribution Agreement among the Borrower, AWAC, ARCO, Delta Housing, Inc., a Delaware corporation, and Arch Western.

DEBT shall mean for any Person as of any date of determination the aggregate of the following for such Person, as of such date, determined in accordance with GAAP: (i) all indebtedness for borrowed money (including, without limitation, all subordinated indebtedness but excluding obligations under any interest rate swap, cap, collar or floor agreement or other interest rate management device), (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, (iv) reimbursement obligations (contingent or otherwise) under any letter of credit (other than, with respect to the Borrower and its Subsidiaries, contingent reimbursement obligations aggregating at any time up to $10,000,000 and other than contingent reimbursement obligations in respect of the letter of credit issued to support the Port Bond) and (v) 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 by such Person (the "Guaranteeing Person") of Debt of other Persons (each such other Person being a "Primary Obligor" and the obligations of a Primary Obligor which are subject to a Guarantee by a Guaranteeing Person being "Primary Obligations") (it being understood that if the Primary Obligations of the Primary Obligor do not constitute Debt, then the Guarantee by the Guaranteeing Person of the Primary Obligations of the Primary Obligor shall not constitute Debt). 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 (v) 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 Debt.

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, together with the duly executed compliance certificate required by Section 7.3.3 or (ii) one Business Day following the date on which such financial statements are due to be delivered pursuant to such Sections.

DERIVATIVES OBLIGATIONS shall mean, for any Person, all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

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 shall mean 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).

DOCUMENTATION AGENT shall mean First Union National Bank in its capacity as documentation agent under this Agreement, and its successors in such capacity.

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.

EBITDDA for any period of determination shall mean with respect to any Person the sum of income from operations before the effect of changes in accounting principles, nonrecurring charges and extraordinary items, net interest expense, income taxes, depreciation,

depletion and amortization for such period determined in accordance with GAAP. For purposes of calculating the Fixed Charge Coverage Ratio and the Leverage Ratio: (i) EBITDDA of Arch Western and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel, shall be assumed to be $39,200,000 for the fiscal quarter ended March 31, 1998, and (ii) EBITDDA for Arch Western and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel for the months of April and May, 1998, shall be determined based upon the results from the operations of the business of such Persons for such months by ARCO as set forth in an income statement with respect to such months prepared by ARCO and reasonably acceptable to the Agents, shall take into account the $1,000,000 per month reduction in overhead resulting from the consummation of the Acquisition, shall assume that operating lease expense of Arch Western and its Subsidiaries, including Canyon Fuel, shall be $970,000 per month and shall assume that interest expense for such Persons for such months shall be zero, with such calculation of EBITDDA for Arch Western and its Subsidiaries for such months to be reasonably acceptable to the Agents. Further, for purposes of calculating the Fixed Charge Coverage Ratio and the Leverage Ratio for the fiscal quarters ended June 30, 1998, and September 30, 1998, EBITDDA of Arch Western and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, EBITDDA of Arch Western and its Subsidiaries for the two fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, plus the Appropriate Percentage of EBITDDA of Canyon Fuel, for the two fiscal quarters then ended, determined on a consolidated basis in accordance with GAAP, multiplied by (y) two (2); and (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, EBITDDA of Arch Western and its Subsidiaries for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, plus the Appropriate Percentage of EBITDDA of Canyon Fuel for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, multiplied by (y) four-thirds (4/3).

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 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 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 1/100 of 1% per annum) (i) the rate of interest determined by the Administrative Agent (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 Dow Jones Market Service display page 3750 or such other display page on the Dow Jones Market Service 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) at 11:00 a.m. (London time) 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:

$$\text{Euro-Rate} = \frac{\text{Dow Jones Market Service page 3750 quoted by British Bankers' ASSOCIATION OR APPROPRIATE SUCCESSOR}}{\text{1.00 - Euro-Rate Reserve Percentage}}$$

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 Bank in its Bid to apply to such Bank's Bid Loan if such 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 1/1000 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 Loan subject to the Euro-Rate Option.

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

EXCLUDED SUBSIDIARIES shall mean, collectively, AWAC, Arch Western and the Subsidiaries of Arch Western.

EXISTING CREDIT FACILITY shall mean collectively all interest, principal, fees and other amounts due and owing by the Borrower and its Significant Subsidiaries under that certain Credit Agreement by and among the Borrower, certain of its Subsidiaries, Morgan Guaranty Trust Company of New York as Documentation and Syndication Agent and PNC Bank, National Association, as Administrative and Syndication Agent, dated July 1, 1997, as amended, providing for a $500,000,000 credit facility.

EXPIRATION DATE shall mean, with respect to the Revolving Credit Commitments and Swing Loan Commitment, and as applicable to the Bid Loans, May 31, 2003.

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.

FINANCIAL PROJECTIONS shall have the meaning assigned to that term in Section 5.1.7(iii).

FIXED CHARGE COVERAGE RATIO shall mean the ratio of (a) the sum, without duplication, of EBITDDA of the Borrower and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's EBITDDA, each on a consolidated basis in accordance with GAAP,

plus operating lease expense of the Borrower and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's operating lease expense, each on a consolidated basis in accordance with GAAP, to (b) the sum of interest expense (other than Permitted Loan Origination Expense) of the Borrower and its Subsidiaries, plus the Appropriate Percentage of interest expense of each Special Subsidiary, each on a consolidated basis in accordance with GAAP, plus operating lease expense of the Borrower and its Subsidiaries, plus the Appropriate Percentage of operating lease expense of each Special Subsidiary, each on a consolidated basis in accordance with GAAP, with the amounts under the numerator and denominator of such ratio all calculated as of the last day of each fiscal quarter for the four fiscal quarters of the Borrower then ended. It is assumed that operating lease expense of Arch Western and its Subsidiaries, including Canyon Fuel, shall be $970,000 per month for the months of April and May, 1998 and that interest expense for such Persons for such months shall be zero. For purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ended June 30, 1998, September 30, 1998 and December 31, 1998, operating lease expense of Arch Western and its Subsidiaries, including the Appropriate Percentage of operating lease expense of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, operating lease expense of Arch Western and its Subsidiaries for such fiscal quarter determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for such fiscal quarter determined in accordance with GAAP, multiplied by (y) four (4); (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, operating lease expense of Arch Western and its Subsidiaries for the two fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for the two fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) two (2); and (iii) for the fiscal quarter ended December 31, 1998, the product of, (x) without duplication, operating lease expense of Arch Western and its Subsidiaries for the three fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for the three fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) four-thirds (4/3). For purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ended June 30, 1998, September 30, 1998 and December 31, 1998, interest expense of Arch Western and its Subsidiaries, including the Appropriate Percentage of interest expense of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, interest expense of Arch Western and its Subsidiaries for such fiscal quarter determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of interest expense of Canyon Fuel for such fiscal quarter determined in accordance with GAAP, multiplied by (y) four (4); (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, interest expense of Arch Western and its Subsidiaries for the two fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of interest expense of Canyon Fuel for the two fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) two (2); and (iii) for the fiscal quarter ended December 31, 1998, the product of, (x) without duplication, interest expense of Arch Western and its Subsidiaries for the three fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of interest expense of Canyon Fuel for

the three fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) four-thirds (4/3).

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

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

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 Guarantor Joinder and Assumption 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 Continuing 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, (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. It is understood that Derivatives Obligations shall not be deemed to be 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.

INITIAL ANNUAL STATEMENTS AND COMPLIANCE CERTIFICATE shall mean collectively with respect to the fiscal year of the Borrower ended December 31, 1998, the annual financial statements of the Borrower and its Subsidiaries consisting of the unaudited consolidated and consolidating balance sheet as of the end of such fiscal year, related consolidated and consolidating statements of income and stockholders' equity and related consolidated statement of cash flows for the fiscal year then ended, together with the duly executed related compliance certificate required to be delivered to the Administrative Agent and the Banks pursuant to Section 7.3.3. It is acknowledged and agreed that the Initial Annual Statements and Compliance Certificate are to be delivered by the Borrower for purposes of calculating the Leverage Ratio as of December 31, 1998 in order to determine the Applicable Margin, the Applicable Facility Fee Rate and the Applicable Letter of Credit Fee Ratio. Notwithstanding the delivery of the Initial Annual Statements and Compliance Certificate, the Borrower shall still be required to comply with the provisions of Section 7.3.2 and deliver the audited financial statements required thereby, together with the related Compliance Certificate required to be delivered under Section 7.3.3.

INITIAL DELIVERY DATE shall mean the date the Borrower delivers to the Administrative Agent and the Banks the Initial Annual Statements and Compliance Certificate.

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, Term Loan Euro-Rate Option, Bid Loan Euro-Rate Option, Bid Loan Fixed Rate Option, Term Loan Base Rate Option, Revolving Credit Base Rate Option or Offered 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.

INVESTMENT GRADE shall mean the rating of the Borrower's senior unsecured long-term debt, on a consolidated basis, of BBB- or better by Standard & Poor's AND Baa3 or better by Moody's.

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.

ISSUING BANKS shall mean, with respect to a Letter of Credit, including any replacements therefor or extensions thereof, PNC Bank or any other Bank which shall have consented to its designation by the Borrower as an "Issuing Bank" by providing prior written notice of such designation and consent to the Administrative Agent.

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.

LENDER shall mean each of the Banks and each of the Designated Lenders.

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

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 the sum of, without duplication, Debt of the Borrower and its Subsidiaries, plus the Appropriate Percentage of Debt of each Special Subsidiary, each on a consolidated basis in accordance with GAAP (as the numerator) to EBITDDA of the Borrower and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's EBITDDA, each on a consolidated basis in accordance with GAAP (as the denominator). For purposes of calculating the Leverage Ratio, Debt shall be determined as of the end of each fiscal quarter of the Borrower and EBITDDA shall be determined as of the end of each fiscal quarter of the Borrower for the four fiscal quarters then ended.

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 AGREEMENTS shall mean collectively the Arch Western LLC Agreement, Canyon Fuel LLC Agreement, Mountain Coal LLC Agreement, Arch of Wyoming LLC Agreement, AU Sub LLC Agreement, State Leases LLC Agreement and Thunder Basin LLC Agreement.

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, the Notes, 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, Term Loans, Swing Loans and Bid Loans or any Revolving Credit Loan, Term Loan, Swing Loan or Bid Loan.

MANDATORY PREPAYMENT shall have the meaning assigned to such term in Section 4.4.5.

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 Borrower and its Subsidiaries taken as a whole, or (c) impairs materially or could reasonably be expected to impair materially the ability of any Agent or any of the Lenders, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

MATERIAL CONTRACTS shall mean collectively: (i) the Acquisition Documents, (ii) all other contracts, agreements or other instruments described in Regulation S-K, Item 601(b)(10) promulgated pursuant to the Securities Exchange Act of 1934, as amended, which the Borrower is required to file as an exhibit to any annual, quarterly or other report required to be filed by the Borrower under the Securities Exchange Act of 1934, as amended, and (iii) all coal supply agreements or contracts (or related coal supply agreements or contracts) under which the Borrower or any Subsidiary of the Borrower is required, over the remaining term of such agreement or contract as of the Closing Date, to deliver one million (1,000,000) tons or more of coal.

MATERIAL 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.

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 Interest Period for any Loan subject to a Euro-Rate Option 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.

MOUNTAIN COAL LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of March 6, 1998, as amended, of Mountain Coal Company,

L.L.C., a limited liability company organized and existing under the laws of the State of Delaware..

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.

NET CASH PROCEEDS shall mean, with respect to any transaction, an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries (other than Excluded Subsidiaries) from or in respect of such transaction (including, when received, any cash proceeds received as income or other cash proceeds of any non-cash proceeds of such transaction), less (x) any expenses or charges (including commissions, fees and taxes paid or payable) reasonably incurred by such Person in respect of such transaction, (y) any amounts considered appropriate by the chief financial officer of the Borrower to provide reserves in accordance with GAAP for payment of indemnities or liabilities that may be incurred in connection with such sale or disposition, and (z) in the case of any asset sale permitted by Section 7.2.4(v), the amount of any debt secured by a Lien on the related asset and discharged as part of such asset sale. For purposes of this definition, if taxes or other expenses payable in connection with the sale or other disposition of any asset are not known as of the date of such sale or other disposition, then such fees, commissions, expenses or taxes shall be estimated in good faith by the chief financial officer of the Borrower and such estimated amounts shall be deducted. At such time as any reserved amount described in clause (y) above is no longer required to be held in reserve, the balance thereof, after payment of the related liabilities or indemnities, shall be used to make a mandatory prepayment of the Term Loans in accordance with Section 4.4.6.

NOTES shall mean the Revolving Credit Notes, Term 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 Lenders, 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.

OFFERED RATE OPTION shall mean the rate of interest quoted from time to time by the Administrative Agent to the Borrower and accepted by the Borrower with respect to a Swing Loan.

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.

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 INVESTMENTS shall mean:

(i) Direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(ii) Commercial paper maturing in 180 days or less rated not lower than A-1 by Standard & Poor's or P-1 by Moody's on the date of acquisition; and

(iii) Demand deposits, time deposits or certificates of deposit maturing within one year in a commercial bank whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's on the date of determination.

PERMITTED INVESTMENTS IN ARCH WESTERN shall have the meaning assigned to that term in Section 7.2.14(v).

PERMITTED JOINT VENTURE shall mean any Person (i) with respect to which the ownership of equity interests thereof by the Borrower or any Subsidiary of the Borrower is accounted for in accordance with the "equity method" in accordance with GAAP; (ii) engaged in a line of business permitted by Section 7.2.7 [Continuation of or Change in Business]; and (iii) with respect to which the equity interests thereof were acquired by the Borrower or Subsidiary of the Borrower in an arms-length transaction; provided that any such Person shall be treated for purposes of this Agreement as a Subsidiary and not a Permitted Joint Venture if (A) the Borrower has management control over the operations of such Person and (B) the Borrower owns directly or indirectly a majority of the economic equity interest in such Person.

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 (including bonus 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, reclamation liabilities or royalty bonds) 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;

(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 member of the Arch Coal Group 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 member of the Arch Coal Group 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;

(xi) any Lien or restriction resulting from ownership, by an entity other than an Affiliate of the Borrower, of a minority interest in Canyon Fuel: and

(xii) the pledge by Coal-Mac, Inc. and Ashland Terminal, Inc. of their respective partnership interests in Dominion Terminal Associates in connection with the Port Bond.

PERMITTED LOAN ORIGINATION EXPENSE shall mean the aggregate amount of all fees and expenses incurred by the Borrower in connection with the closing of the transactions under this Agreement and under the Arch Western Credit Facility which are required to be capitalized in accordance with GAAP.

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 $23,240,000, together with any renewals thereof or replacements therefor so long as the face amount thereof is not in excess of $23,240,000.

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.

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 AGREEMENT shall mean that certain Purchase and Sale Agreement among ARCO, ARCO Uinta Coal Company, a Delaware corporation, the Borrower and AWAC, dated as of March 22, 1998, together with all schedules and exhibits thereto.

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 Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

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 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.

REPLACEMENT SALES CERTIFICATE shall HAVE THE MEANING ASSIGNED TO SUCH TERM IN SECTION 7.2.4 (III).

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 Loans or Reimbursement Obligations outstanding, Required Banks shall mean Banks whose Commitments (excluding the Swing Loan Commitment) aggregate at least 51% of the Commitments (excluding the Swing Loan Commitment) of all of the Banks, or

(B) if there are Loans or Reimbursement Obligations outstanding, and the Revolving Credit Commitments remain in effect, Required Banks shall mean any Bank or group of Banks if the sum of the principal amount of the Term Loans then outstanding and Revolving Credit Commitments of such Banks aggregates at least 51% of the sum of the total principal amount of all of the Term Loans then outstanding plus the aggregate Revolving Credit Commitments, or

(C) if there are Loans or Reimbursement Obligations outstanding but the Revolving Credit Commitments no longer remain in effect, Required Banks shall mean any Bank or group of Banks if the sum of the principal amount of the Loans and Revolving Credit Ratable Shares of Reimbursement Obligations then outstanding of such Banks aggregate at least 51% of the sum of the total principal amount of all Loans then outstanding plus the aggregate principal amount of all Reimbursements Obligations then outstanding.

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

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(a)(i).

REVOLVING CREDIT COMMITMENT shall mean, as to any 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 executed by such Bank, and Revolving Credit Commitments shall mean the aggregate Revolving Credit Commitments of all of the 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(a)(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 Banks or one of the 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 CREDIT RATABLE SHARE shall mean the proportion that a Bank's Revolving Credit Commitment (excluding the Swing Loan Commitment) bears to the Revolving Credit Commitments (excluding the Swing Loan Commitments) of all of the Banks.

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.

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 (other than the Excluded Subsidiaries) 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.

SOLVENT shall mean, with respect to any Person on a particular date, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

SPECIAL SUBSIDIARY shall mean Canyon Fuel and each other Person to be treated as a Subsidiary in accordance with the proviso to the definition of Permitted Joint Venture.

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 Persons, contingent or otherwise, which finance the working capital and business needs of such Persons incurred in the ordinary course of business.

STATE LEASES LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of April 8, 1998, as amended, of State Leases LLC, a limited liability company organized and existing under the laws of the State of Delaware.

SUBSIDIARY of any Person at any time shall mean (i) any corporation or trust of which more than 50% (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 more than 50% 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 more than 50% 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. It is expressly agreed that each Special Subsidiary shall be deemed to be a Subsidiary of the Borrower for the purposes of this Agreement. Nonetheless, the Appropriate Percentage of the assets, income, expenses, liabilities and other items with respect to each Special Subsidiary shall be included for purposes of calculating the Leverage Ratio, the Fixed Charge Coverage Ratio and inclusion in Section 7.2.9 [OFF-BALANCE SHEET FINANCING], as described more fully in the definitions of "EBITDDA," "Leverage Ratio," "Fixed Charge Coverage Ratio" and Section 7.2.9.

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

SWING LOAN COMMITMENT shall mean PNC Bank's commitment to make Swing Loans to the Borrower pursuant to Section 2.4.2 hereof, in an aggregate principal amount up to $50,000,000.

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 AGENT shall mean Morgan in its capacity as syndication agent for the Banks under this Agreement and its successors in such capacity.

SYNDICATION DATE shall mean the earlier of (i) a date after the Closing Date which is selected by the Arrangers and notice of which is given by the Arrangers to the Borrower at least five (5) Business Days prior thereto and (ii) the 90th day following the Closing Date.

SYNTHETIC LEASE shall have the meaning assigned to such term in Section 7.2.9.

TAX SHARING AGREEMENT shall mean that certain Tax Sharing Agreement dated as of June 1, 1998 by and among the Borrower, AWAC, Arch Western and Delta Housing, Inc., a Delaware corporation.

TERM LOAN shall have the meaning given to such term in Section 2.12; Term Loans shall mean collectively all of the Term Loans.

TERM LOAN BASE RATE OPTION shall mean the option of the Borrower to have Term Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(b)(i). TERM LOAN COMMITMENT shall mean, as to any 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 Term Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement executed by such Bank, and Term Loan Commitments shall mean the aggregate Term Loan Commitments of all of the Banks.

TERM LOAN EURO-RATE OPTION shall mean the option of the Borrower to have Term Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(b)(ii).

TERM LOAN EXPIRATION DATE shall mean, with respect to the Term Loan Commitments, May 31, 2003.

TERM LOAN RATABLE SHARE shall mean the proportion that a Bank's Term Loan Commitment bears to the Term Loan Commitments of all of the Banks.

TERM NOTES shall mean collectively and Term Note shall mean separately all of the Term Notes of the Borrower in the form of EXHIBIT 1.1(T) issued by the Borrower at the request of a Bank pursuant to Section 2.14 evidencing the Term Loans, together with all

amendments, extensions, renewals, replacements, refinancings or refunds thereof in whole or in part.

THUNDER BASIN LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of July 10, 1998, as amended, of Thunder Basin Coal Company, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware.

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

U.S. shall mean the United States of America.

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 Lenders shall be deemed to include good-faith estimates by the Administrative Agent or the Lenders (in the case of quantitative determinations) and good-faith beliefs by the Administrative Agent or the Lenders (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 Lenders 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 in accordance with the applicable provisions thereof and hereof;

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), as applied to the Borrower and its Subsidiaries 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. Nothing in this Section 1.3 will require the Borrower or any of its Subsidiaries to continue accounting methods used by ACC in preparing the ACC Annual Statements.

2. REVOLVING CREDIT, SWING LOAN AND TERM 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 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 Bank shall not exceed such Bank's Revolving Credit Commitment minus such Bank's Revolving Credit Ratable Share of the Letters of Credit Outstanding PROVIDED FURTHER that the Revolving Facility Usage at any time, shall not exceed the Revolving Credit Commitments of all the 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.

2.1.2 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 $50,000,000 (the "Swing Loan Commitment"), PROVIDED that the Revolving Facility Usage at any time, shall not exceed the Revolving Credit Commitments of all the 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 Bank shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.4 [Loan Requests] in accordance with its Revolving Credit Ratable Share. Subject to Section 2.9.1 with respect to taking into account outstanding Bid Loans, the aggregate of each Bank's Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Revolving Credit Commitment minus its Revolving Credit Ratable

Share of the Letters of Credit Outstanding. The obligations of each Bank hereunder are several. The failure of any 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 Bank to perform its obligations hereunder. The 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 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 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 LOAN REQUESTS.

2.4.1 COMMITTED LOAN REQUESTS.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Banks to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans or Term 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 the Term Loans on the Closing Date or 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 or Term Loans; and (ii) one (1) Business Day prior to either the proposed Borrowing Date with respect to the making of the Term Loans on the Closing Date or the making of a Revolving Credit Loan to which the Base Rate Option applies or the last day of the preceding Committed Loan Interest Period with respect to the conversion to the Base Rate Option for any Revolving Credit Loan or Term 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 and Term Loans comprising each Borrowing Tranche, which shall be in integral multiples of $5,000,000 and not less than $10,000,000 for each Borrowing Tranche to which the Revolving Credit Euro-Rate Option or Term Loan Euro-Rate Option, as the case may be, applies and in integral multiples of $1,000,000 and not less than the lesser of $5,000,000 or the maximum amount available for Borrowing Tranches to which the Base Rate Option applies; (iii) whether the Revolving Credit Euro-Rate Option or Revolving Credit Base Rate Option shall apply to the proposed Revolving Credit Loans comprising an applicable Borrowing Tranche; and

(iv) in the case of a Borrowing Tranche to which the applicable 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 12:00 noon 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.

The Administrative Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.4.1 [Committed Loan Requests], notify the 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 Banks of such Revolving Credit Loans as determined by the Administrative Agent in accordance with Section 2.2 [Nature of Banks' Obligations, etc.]. Each 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 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 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 Bank on such Borrowing Date, and such 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. Swing Loans shall bear interest at the Offered Rate Option.

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 finance the Acquisition Transactions, to refinance the Existing Credit Facility, for general corporate purposes and in accordance with Section 7.1.9 [Use of Proceeds]. Subject to Section 7.2.14 (v), proceeds of Loans may be used by the Borrower to make loans to or investments in Arch Western and Letters of Credit may be issued for the benefit or the use of any member of the Arch Western Group.

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 Bank shall make available to the Administrative Agent, on behalf of PNC Bank, an amount equal to such Bank's Revolving Credit Ratable Share of the aggregate principal amount of the outstanding Swing Loans, plus, if PNC Bank so requests, accrued interest thereon, PROVIDED that no Bank shall be obligated in any event to make Revolving Credit Loans in excess of its Revolving Credit Commitment minus its Revolving Credit Ratable Share of the Letters of Credit Outstanding. Revolving Credit Loans made pursuant to the preceding sentence shall bear interest at the Base Rate Option 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 Banks (which may be telephonic or written notice by letter, facsimile or telex) of the amount of such Bank's Revolving Credit 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 Bank notice of the apportionment thereof among the Banks, and the 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 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, beginning on the date that the Borrower's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade and during any period thereafter when the Borrower's senior unsecured long-term debt, on a consolidated basis, is rated BBB- or better by Standard & Poor's or Baa3 or better by Moody's,

the Borrower may from time to time prior to the Expiration Date request that the 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 Day 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 days and no longer than 270 days if Borrower is requesting a Fixed Rate Bid Loan and one, two, three or six Months if Borrower is requesting a Euro-Rate Bid Loan, and (iv) the maximum principal amount (the "Requested Amount") of such Bid Loan (provided that a Bid Loan Interest Period shall in no event expire later than one (1) Business Days prior to the Expiration Date), which shall be not less than $10,000,000 and shall be an integral multiple of $5,000,000. 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 Letters of Credit Outstanding shall not exceed the aggregate amount of the Revolving Credit Commitments of the 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 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 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 Bank (the "Offered Amount") (such Bid Loans may be funded by such Bank's Designated Lender as provided in Section 2.9.4; however, such 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 $10,000,000 and shall be an integral multiple of $5,000,000 and (iii) may exceed such 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 Bank submitting such

Bid. If the Administrative Agent so notifies a Bank, such 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 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 Banks. If the Administrative Agent in its capacity as a 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 and 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 Banks must not be less than $10,000,000 and be in integral multiples of $5,000,000 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 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 Bank (or such Bank's Designated Lender) on the Bid Loan Borrowing Date in an amount exceeding such Bank's Offered Amount; (4) if two or more Lenders 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 Lender upward or downward as the Borrower may select to integral multiples of $5,000,000. The Administrative Agent shall (i) promptly notify a 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 Banks which submitted Bids of all Bids submitted and those which have been accepted.

2.9.4 FUNDING BID LOANS.

Each 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 [Each Additional Loan or Letter of Credit] 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 Lender 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 (i) the Borrower 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 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 Banks to make Bid Loans after their Bids have been accepted are several. No Bank shall be responsible for the failure of any other Lender to make any Bid Loan which another Lender 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 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 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 voluntarily 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 such 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 selected 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 Banks set forth in this Section 2.10, 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, $150,000,000 or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments. Subject to Section 7.2.14(v), Letters of Credit may be issued for the benefit or the use of, directly or indirectly, any member of the Arch Western Group. No Letters of Credit shall be issued for the benefit or the use of, directly or indirectly, any Significant Subsidiary which is a member of the Arch Coal Group which 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].

2.10.2 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. 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 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 PARTICIPATIONS IN LETTERS OF CREDIT; DISBURSEMENTS, REIMBURSEMENT.

2.10.3.1 Immediately upon issuance of each Letter of Credit, and without further action, each Bank shall be deemed to, and hereby agrees that it shall, have irrevocably purchased, for such Bank's own account and risk, from the applicable Issuing Bank an individual participation interest in such Letter of Credit in an amount equal to such Bank's Revolving Credit Ratable Share of the maximum amount which is or at any time may become available to be drawn thereunder, and each Bank shall be responsible to reimburse such Issuing Bank immediately for its Revolving Credit Ratable Share of any disbursement under any Letter of Credit which has not been reimbursed by Borrower in accordance with Section 2.10.3.2 by making its Revolving Credit Ratable Share of the Revolving Credit Loans referred to in Section 2.10.3.3 available to the Administrative Agent for the account of the Issuing Bank. Upon the

request of any Bank and no less frequently than once in each calendar month, the Administrative Agent shall notify each Bank of the amount of such Bank's participation in Letters of Credit.

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 Bank thereof, and the Borrower shall be deemed to have requested that Revolving Credit Loans be made by the Banks under the Revolving Credit Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit. 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 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 Revolving Credit Ratable Share of the amount of the drawing, whereupon the participating Banks shall 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 Bank so notified fails to make available to the Administrative Agent for the account of the Issuing Bank the amount of such Bank's Revolving Credit 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 Bank's obligation to make such payment from the Drawing Date to the date on which such 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 Bank does not timely receive notice in order to so fund its Revolving Credit 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 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 Bank to effect such payment on such date shall not relieve such Bank from its obligation under this Section 2.10.3.3.

2.10.4 [INTENTIONALLY OMITTED]

2.10.5 DOCUMENTATION.

Each Loan Party agrees to be bound by the terms of the selected 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 Bank's obligation in accordance with this Agreement to participate in Letters of Credit and make the Revolving Credit Loans, as contemplated by Section 2.10.3 [Participations in Letters of Credit; Disbursements, Reimbursement], 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 Bank may have against any 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 with the conditions set forth in Sections 2.1 [Revolving Credit Commitments], 2.4 [Loan Requests], 2.5 [Making Revolving Credit Loans and Swing 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 Revolving Credit Loan under Section 2.10.3 [Participations in Letters of Credit; Disbursements; Reimbursement];

(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 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 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 any 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 any 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 [INTENTIONALLY OMITTED].

2.12 TERM LOAN COMMITMENTS.

Subject to the terms and conditions hereof, and relying upon the representations and warranties herein set forth, each Bank severally agrees to make a term loan (the "Term Loan") to the Borrower on the Closing Date in such principal amount as the Borrower shall request up to, but not exceeding such Bank's Term Loan Commitment.

2.13 NATURE OF BANKS' OBLIGATIONS WITH RESPECT TO TERM LOANS.

The obligations of each Bank to make Term Loans to the Borrower shall be in the proportion that such Bank's Term Loan Commitment bears to the Term Loan Commitments of all Banks to the Borrower, but each Bank's Term Loan to the Borrower shall never exceed its Term Loan Commitment. The failure of any Bank to make a Term Loan shall not relieve any other Bank of its obligations to make a Term Loan nor shall it impose any additional liability on any other Bank hereunder. The Banks shall have no obligation to make Term Loans hereunder after the Closing Date. The Term Loan Commitments are not revolving credit commitments, and the Borrower shall not have the right to borrow, repay and reborrow under Section 2.12 [Term Loan Commitments].

2.14 TERM LOAN NOTES.

The Obligation of the Borrower to repay the unpaid principal amount of the Term Loans made to it by each Bank, together with interest thereon, shall be evidenced by a Term Note dated the Closing Date payable to the order of each Bank in a face amount equal to the Term Loan of such Bank. The principal amount as provided therein of the Term Notes shall be payable quarterly in arrears in installments of $15,000,000 each on the first day of each January, April, July and October after the Closing Date, commencing October 1, 1998 and the entire outstanding principal amount of the Term Notes shall be due and payable on the Term Loan Expiration Date.

2.15 USE OF PROCEEDS.

The proceeds of the Term Loans shall be used to finance the Acquisition Transaction, to refinance the Existing Credit Facility, for general corporate purposes and in accordance with Section 7.1.9 [Use of Proceeds].

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 and Term Loans as selected by it from the Base Rate Option, Revolving Credit Euro-Rate Option or Term Loan Euro-Rate Option set forth below applicable to the Revolving Credit Loans or Term 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 and Term 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 or Term Loans comprising any Borrowing Tranche, PROVIDED that there shall not be at any one time outstanding more than nine (9) Borrowing Tranches in the aggregate among all of the Revolving Credit Loans and Term Loans accruing interest at a Revolving Credit Euro-Rate Option or Term Loan Euro-Rate Option, and PROVIDED further that only the Offered 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 Lender's highest lawful rate, the rate of interest on such Loan shall be limited to such Lender's highest lawful rate.

3.1.1 INTEREST RATE OPTIONS.

(a) 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.

(b) The Borrower shall have the right to select from the following Interest Rate Options applicable to the Term Loans:

(i) TERM LOAN 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) TERM LOAN 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.

Notwithstanding the foregoing, through and including the Initial Delivery Date, the Applicable Margin shall be the amount determined in accordance with the parameters set forth in SCHEDULE 1.1(A) but shall be no less than the amount set forth in the pricing grid under Level IV of PART (A) of SCHEDULE 1.1(A). It is expressly agreed that after the Initial Delivery Date until such time as the Borrower's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Margin shall be determined based upon PART (A) of

SCHEDULE 1.1(A), and for any period thereafter when a Debt Rating is in effect the Applicable Margin shall be the amount determined under PART (B) of SCHEDULE 1.1(A).

3.1.2 RATE QUOTATIONS.

The Borrower may call the Administrative Agent on or before the date on which a Committed Loan Request is to be delivered to receive an indication of the rates then in effect as to Revolving Credit Loans or Term Loans, but it is acknowledged that such projection shall not be binding on the Administrative Agent or the 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 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 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 Banks are no longer committed to lend under this Agreement, the Banks shall pay the Administrative Agent for the account of the Borrower such interest or Facility Fee refund not later than five (5) Business Days after written notice from the Administrative Agent to the Banks.

3.2 INTEREST PERIODS.

At any time when the Borrower shall select, convert to or renew a Revolving Credit Euro-Rate Option or Term Loan 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; PROVIDED, however, that prior to the date which is the Business Day following the Syndication Date, only such periods as the Administrative Agent and the Borrower mutually agree, not to exceed a period of one Month, shall be available. Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a Revolving Credit Euro-Rate Option or Term Loan 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 or Term Loans to which the Revolving Credit Euro-Rate Option or Term Loan Euro-Rate Option applies shall be in integral multiples of $5,000,000 and not less than $10,000,000;

3.2.3 TERMINATION BEFORE APPLICABLE EXPIRATION DATE.

the Borrower shall not select, convert to or renew an Interest Period for any portion of the Loans that would end, in the case of Revolving Credit Loans or Bid Loans after the Expiration Date, or in the case of Term Loans, after the Term Loan Expiration Date; and

3.2.4 RENEWALS.

in the case of the renewal of a Revolving Credit Euro-Rate Option or Term Loan 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 Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable 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 Lender 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 Lender 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 Lender 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 are not available to such Lender with respect to such Loan, in the London interbank market,

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

3.4.3 ADMINISTRATIVE AGENT'S AND LENDER'S RIGHTS.

In the case of any event specified in Section 3.4.1 above, the Administrative Agent shall promptly so notify the Lenders and the Borrower thereof, and in the case of an event specified in Section 3.4.2 above, such Lender 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 Lenders 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 Lenders, in the case of such notice given by the Administrative Agent, or (B) such Lender, in the case of such notice given by such Lender, 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 Lender shall have later notified the Administrative Agent, of the Administrative Agent's or such Lender'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 Base Rate Option otherwise available with respect to such Revolving Credit Loans or Term Loans if the Borrower has requested the Euro-Rate Option with respect to such Revolving Credit Loans or Term Loans. If any Lender 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 Lender to which a Euro-Rate Option applies, on the date specified in such notice either convert such Loan to the Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 4.4.1 [Voluntary Prepayments]. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the 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 or of Term Loans under the Term Loan 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 in the case of Revolving Credit Loans or Term Loan Base Rate Option in the case of Term Loans 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 Banks with respect to the Revolving Credit Loans and Term Loans and for the account of the lending Lender 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 applicable Lenders 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 Lenders (or applicable Lender, as the case may be) on the same day received by the Administrative Agent, the Administrative Agent shall pay the Lenders (or applicable Lender, 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 Lenders (or applicable Lender, as the case may be). The Administrative Agent's and each Lender'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 Bank according to its Revolving Credit Ratable Share (irrespective of the amount of Bid Loans outstanding), the Term Loans shall be allocated to each Bank according to its Term Loan Ratable Share and each selection of, conversion to or renewal of any Interest Rate Option applicable to Revolving Credit Loans or Term Loans and each payment or prepayment by the Borrower with respect to principal or interest on the Revolving Credit Loans or Term 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 Banks with respect to the Revolving Credit Loans or Term Loans, shall (except as provided in Section 3.4.3 [Administrative Agent's and Lender's Rights] in the case of an event specified in Sections 3.4 [Euro-Rate Unascertainable, etc.], 4.4.2 [Replacement of a Lender] or 4.5 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Revolving Credit Loans or Term Loans outstanding from each Bank and, if no such Loans are then outstanding, in proportion, as applicable, to the Revolving Credit Ratable Share or Term Loan Ratable Share, as the case may be, of each 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 Lenders in proportion to the amounts of such items due to such Lenders. 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 Swing Loans or Revolving Credit Loans to which the Base Rate Option 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 Term Loans to which the Base Rate Option 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 Term Loan 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 date that is three (3) months after the commencement of such Interest Period (and if applicable, the date that is six (6) months after the commencement of such Interest Period) 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 PREPAYMENTS.

4.4.1 VOLUNTARY PREPAYMENTS.

The Borrower shall have the right at its option from time to time to prepay the Committed 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 Committed Loan to which the Base Rate Option applies,

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

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

Whenever the Borrower desires to prepay any part of the Committed Loans, it shall provide a prepayment notice to the Administrative Agent by 1:00 p.m., Pittsburgh time, at least one (1) Business Day prior to the date of prepayment of the Committed 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 among the Swing Loans, Term Loans and the Revolving Credit Loans; and

(z) the total principal amount of such prepayment, which shall not be less than $10,000,000 for any Revolving Credit Loan, and in increments of $1,000,000 above $10,000,000, not less than $10,000,000 for Term Loans and in increments of $1,000,000 above $10,000,000, 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 Committed Loans for which a prepayment notice is given, together with interest on such principal amount (except with respect to interest on Revolving Credit Loans to which the Revolving Credit Base Rate Option applies which shall be paid in accordance with this Agreement on the next due date for the payment thereof), 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. All Term Loan prepayments permitted by this Section 4.4.1 shall be applied to the unpaid installments of principal of the Term Loans in the inverse order of scheduled maturities. Except as provided in Section 3.4.3 [Administrative Agent's and Lender's Rights], if the Borrower prepays a Committed Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied (i) first to Swing Loans, then (ii) second to Revolving Credit Loans to which the Revolving Credit Base Rate Option applies, then (iii) third to Term Loans to which the Term Loan Base Rate Option applies, then (iv) fourth to Revolving Credit Loans to which the Revolving Credit Euro-Rate Option applies, and then (v) finally to Term Loans to which the Term Loan Euro-Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 4.5.2 [Indemnity]. Bid Loans can not be voluntarily prepaid by the Borrower.

4.4.2 REPLACEMENT OF A LENDER.

In the event any Lender (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, Term Loans or Bid Loans because the making of such Loans would contravene any Law applicable to such Lender, 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 (except that during any period when an Event of Default exists and is continuing, the Administrative Agent may withhold such consent in its sole discretion), to prepay the Loans of such Lender in whole, together with all interest accrued thereon, and terminate such Lender's Commitment within ninety (90) days after (x) receipt of such Lender's notice under Section 3.4 [Euro-Rate Unascertainable, etc.] or 4.5.1 [Increased Costs, Etc.], (y) the date such Lender has failed to fund Revolving Credit Loans or Bid Loans because the making of such Loans would contravene Law applicable to such Lender, or (z) the date such Lender became subject to the control of an

Official Body, as applicable; PROVIDED that the Borrower shall also pay to such Lender at the time of such prepayment any amounts required under Section 4.5 [Additional Compensation in Certain Circumstances] (except that the Borrower shall not be required to indemnify such Lender for liabilities, losses or expenses under Section 4.5.2(i) sustained by such Lender as a consequence of the prepayment of the Loans of such Lender in accordance with this Section 4.4.2 on a day other than the last day of an Interest Period with respect to Loans to which a Euro-Rate Option or Bid Loan Fixed Rate Option applies if the Loans of such Lender are being prepaid because such Lender has determined that the making, maintenance or funding of such Loans by such Lender under the Euro-Rate Option has been made unlawful or because such Lender has become subject to the control of an Official Body) and any accrued interest due on such amount and any related fees; PROVIDED, however, that the Commitment, any Term Loan and any Bid Loan of such Lender shall be provided by one or more of the remaining Lenders or a replacement bank acceptable to the Agents and the Issuing Banks; PROVIDED, further, that the remaining Lenders shall have no obligation hereunder to increase their Commitments or provide the Bid Loan of such Lender. Notwithstanding the foregoing, the Administrative Agent may only be replaced subject to the requirements of Section 9.14 [Successor Agents] 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 Lender 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 Lender, it will if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) 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 Lender and its lending office suffer no economic, legal or regulatory disadvantage on such Lender's good faith determination, 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 Lender provided in this Agreement.

4.4.4 VOLUNTARY REDUCTION OF COMMITMENTS.

The Borrower shall have the right, upon not less than five (5) Business Days' written irrevocable notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the amount of the Revolving Credit 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 $10,000,000 or an integral multiple of $1,000,000 in excess thereof, PROVIDED, that the Revolving Credit Commitments may not be reduced below the sum of the aggregate principal amount of all Revolving Facility Usage. Each reduction of Revolving Credit Commitments shall ratably reduce the Revolving Credit Commitments of the Banks.

4.4.5 MANDATORY PREPAYMENT UPON ISSUANCE OF CERTAIN DEBT AND CERTAIN EQUITY.

Within five (5) Business Days of the issuance by the Borrower or any Subsidiary of the Borrower (other than Excluded Subsidiaries), of any debt or equity securities for cash proceeds (including any hybrid equity securities), the Borrower shall make a mandatory prepayment of principal on the Term Loans equal to 75% of the Net Cash Proceeds of any debt securities and equal to 50% of the Net Cash Proceeds of any equity securities (each a "Mandatory Prepayment") (PROVIDED that no mandatory prepayment shall be required with respect to the issuance of debt or equity securities by such Persons following the Closing Date of up to $300,000,000 in the aggregate of such securities). Each Mandatory Prepayment shall be applied to payment in full of the principal amount of the Term Loans by application to the unpaid installments of principal in the inverse order of scheduled maturities. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 4.5.2 [Indemnity]. To the extent that a Mandatory Prepayment exceeds the outstanding principal amount of the Term Loans, such prepayment shall be limited to the amount necessary to prepay the Term Loans in full. If the Borrower's senior unsecured long-term debt, on a consolidated basis, is rated Investment Grade, then at any time thereafter when the Borrower issues debt or equity securities if the senior unsecured long-term debt of the Borrower is rated, as of the date of issuance of such debt or equity securities, by either Moody's at Baa3 or better or Standard & Poor's at BBB- or better, no Mandatory Prepayment pursuant to this Section 4.4.5 will be required to be made.

4.4.6 MANDATORY PREPAYMENT UPON SALE OF ASSETS.

Within five (5) Business Days of any sale of assets by any member of the Arch Coal Group authorized by Section 7.2.4(v) [Disposition of Assets or Subsidiaries], the Borrower shall make a mandatory prepayment of principal on the Term Loans equal to the Net Cash Proceeds of such sale (as estimated in good faith by the Borrower), together with accrued interest on such principal amount. All prepayments pursuant to this Section 4.4.6 shall be applied to payment in full of the principal amount of the Term Loans by application to the unpaid installments of principal in the inverse order of scheduled maturities. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 4.5.2 [Indemnity]. If the Borrower's senior unsecured long-term debt, on a consolidated basis, is rated Investment Grade, then at any time thereafter when any member of the Arch Coal Group sells assets in accordance with Section 7.2.4(v), if the senior unsecured long-term debt of the Borrower is rated, as of the date of such asset sale, by either Moody's at Baa3 or better or by Standards & Poor's at BBB- or better, no prepayment pursuant to this Section 4.4.6 will be required to be made.

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 Lender 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 Lender),

(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 Lender, 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 Lender, or (B) otherwise applicable to the obligations of any Lender 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 Lender 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 Lender's capital, taking into consideration such Lender's customary policies with respect to capital adequacy) by an amount which such Lender in its sole discretion deems to be material, such Lender 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 Lender to be necessary to compensate such Lender 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 Lender 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 Lender 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 Lender to

fund or maintain Loans subject to a Euro-Rate Option or the Bid Loan Fixed Rate Option) which such Lender 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 2.4.1 [Committed Loan Requests], Section 2.4.2 [Swing Loan Requests], Section 2.9 [Bid Loan Facility] or Section 3.2 [Interest Periods] or notice relating to prepayments under Section 4.4.1 [Voluntary Prepayments];

(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 Lender 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 Lender (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Lender shall deem reasonable) to be necessary to indemnify such Lender 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 Lender ten (10) Business Days after such notice is given.

4.6 NOTES.

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

4.7 SETTLEMENT DATE PROCEDURES.

In order to minimize the transfer of funds between the 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 2.5 hereof during the period between Settlement Dates. Not later than 11:00 a.m., on each Settlement Date, the Administrative Agent shall notify each Bank of its Revolving Credit 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 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 Bank its Revolving Credit 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 Banks of their obligations to fund Revolving Credit Loans on dates other than a Settlement Date pursuant to Sections 2.1.1 and 2.2. The Administrative Agent may at any time for any reason whatsoever require each Bank to pay immediately to the Administrative Agent such Bank's Revolving Credit Ratable Share of the outstanding Revolving Credit Loans, and each Bank may at any time require the Administrative Agent to pay immediately to such Bank its Revolving Credit Ratable Share of all payments made by the Borrower to the Administrative Agent with respect to the Revolving Credit Loans.

4.8 TAXES.

4.8.1 NO DEDUCTIONS.

All payments made by the Borrower hereunder shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all liabilities with respect thereto, excluding taxes imposed on the net income of the Lenders and all income and franchise taxes of the United States applicable to the Lenders (all such non-excluded taxes, levies, imposts deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable under the Credit Agreement, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this subsection) the Administrative Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant tax authority or other authority in accordance with applicable law.

4.8.2 STAMP TAXES.

In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies which arise from any payment made hereunder or from the execution, delivery, or registration, or otherwise with respect to, the Credit Agreement (hereinafter referred to as "Other Taxes").

4.8.3 INDEMNIFICATION FOR TAXES PAID BY LENDERS.

The Borrower shall indemnify the Lenders for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any

jurisdiction on amounts payable under this subsection) paid by such Lender and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender makes written demand therefor.

4.8.4 CERTIFICATE.

Within 30 days after the date of any payment of any Taxes by the Borrower, the Borrower shall furnish to the Administrative Agent for the benefit of the Lenders the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment by the Borrower, the Borrower shall, if so requested by any Lender, provide a certificate of an officer of the Borrower to that effect.

4.8.5 SURVIVAL.

Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in subsections 4.8.1 through 4.8.4 shall survive the payment in full of principal and interest under any promissory note made by Borrower to any Lender under the Credit Agreement.

4.8.6 REFUND AND CONTEST.

If the Borrower determines in good faith that a reasonable basis exists for contesting any Taxes or Other Taxes with respect to which the Borrower was required to take the actions specified in the second sentence of subsection 4.8.1, the relevant Lender (to the extent such Lender reasonably determines in good faith that it will not suffer any adverse effect as a result thereof) shall cooperate with the Borrower in challenging the imposition of such Taxes or Other Taxes at the Borrower's expense if so requested by the Borrower in writing. If such Lender receives a refund of Taxes or Other Taxes for which the payment has been made by the Borrower pursuant to this Agreement, which refund in the good faith judgment of such Lender is attributable to the Borrower, then such Lender shall reimburse the Borrower for such amount as such Lender determines to be the proportion of the refund as will leave it, after such reimbursement, in no better or worse position than it would have been in if the payment had not been required. No Lender nor any Agent shall be obliged to disclose information regarding its tax affairs or computations to Borrower in connection with this Section 4.8.6 or any other provision of Section 4.8.

5. REPRESENTATIONS AND WARRANTIES

5.1 REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Agents and each of the Lenders 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 and where the failure to so qualify could reasonably be expected to result in a Material Adverse Change.

5.1.2 SHARES OF BORROWER; SUBSIDIARIES; AND SUBSIDIARY SHARES.

On the Closing Date, 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. On the Closing Date, 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 and all 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. On the Closing Date, 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.

(a) 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. The Borrower and each Subsidiary of the Borrower party to the Acquisition Documents has full power to enter into, execute, deliver and perform the Acquisition Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

(b) To the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition

Documents, each member of the ACC Group has full power to enter into, execute, deliver and perform the Acquisition Documents to which it is a party and all such actions have been duly authorized by all necessary proceedings on its respective part.

5.1.4 VALIDITY AND BINDING EFFECT.

(a) 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 Acquisition Documents have been duly and validly executed and delivered by the Borrower and each of its Subsidiaries party thereto. On the Closing Date, the Acquisition shall be consummated in accordance with the terms of the Acquisition Documents. The Acquisition Documents constitute the legal, valid and binding obligation of the Borrower and each of its Subsidiaries party thereto, enforceable against each such Person in accordance with the terms thereof, except to the extent that enforceability of the Acquisition Documents 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. A complete copy of the Acquisition Documents has been delivered to the Administrative Agent.

(b) To the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, each of the Acquisition Documents has been duly and validly executed and delivered by each member of the ACC Group party thereto. To the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, each Acquisition Document constitutes the legal, valid and binding obligation of each member of the ACC Group party thereto, enforceable against each such member of the ACC Group in accordance with the terms thereof, except to the extent that enforceability of the Acquisition Documents 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.

(a) Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party or the Acquisition Documents by the Borrower or any Subsidiary of the Borrower 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 Acquisition Documents, of the Borrower or any Subsidiary of the Borrower party thereto or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which the Borrower or any Subsidiary of the Borrower party to the Acquisition Documents, 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 the Borrower or any Subsidiary of the Borrower party to the Acquisition Documents or of any Loan Party or any Subsidiary of any Loan Party (other than Liens granted under the Loan Documents).

(b) To the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, neither the execution and delivery of the Acquisition Documents by any member of the ACC Group, nor the consummation of the transactions therein contemplated or compliance with the terms and provisions 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 such Person or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any such Person 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 such Person.

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 a Material Adverse Change. None of the Loan Parties or any Subsidiary 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 a Material Adverse Change.

5.1.7 FINANCIAL STATEMENTS.

(i) HISTORICAL STATEMENTS.

(a) 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, 1997 (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, 1998 (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. The Borrower has delivered to the Administrative Agent copies of the audited consolidated year-end balance sheet for ACC as of the end of the fiscal years ended December 31, 1996 and December 31, 1997 and copies of the audited consolidated statements of income, of equity investment and of cash flows for each of the three years in the period ended December 31, 1997 (collectively, the "ACC Annual Statements").

(b) To the knowledge of the Borrower, as of the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, the ACC Annual Statements were compiled from the books and records maintained by ACC's management, are correct and complete and fairly represent the consolidated financial condition of ACC 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.

(ii) ACCURACY OF FINANCIAL STATEMENTS.

(a) Neither the Borrower nor any Subsidiary of the Borrower has on the Closing Date 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 result in a Material Adverse Change. Since December 31, 1997, no Material Adverse Change has occurred.

(b) To the knowledge of the Borrower, as of the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, ACC has no liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the ACC Annual Statements or in the notes thereto, and there are no unrealized or anticipated losses from any commitments of ACC which could reasonably be expected to result in a Material Adverse Change.

(iii) FINANCIAL PROJECTIONS. The Borrower has delivered to the Agents financial projections of the Borrower and its Subsidiaries for the period January 1, 1998 through and including December 31, 2002 derived from various assumptions of the Borrower's management (the "Financial Projections"). On the Closing Date, the Financial Projections represent a reasonable range of possible results in light of the history of the business (in the case of Arch Western, taking into consideration the ACC Annual Statements and the history of performance of Arch of Wyoming LLC), present and foreseeable conditions and the intentions of the Borrower's management. The Financial Projections accurately reflect the liabilities of the Borrower and its Subsidiaries upon consummation of the Acquisition and of the transactions contemplated hereby as of the Closing Date.

5.1.8 USE OF PROCEEDS; MARGIN STOCK.

5.1.8.1 GENERAL.

The Loan Parties shall use the proceeds of the Loans in accordance with Sections 2.7, 2.15 and 7.1.9.

5.1.8.2 MARGIN STOCK.

None of the Loan Parties nor any Subsidiary 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 [INTENTIONALLY OMITTED].

5.1.9 FULL DISCLOSURE.

On the Closing Date, neither this Agreement nor any other Loan Document, nor the Acquisition Documents, nor any certificate, statement, agreement or other documents furnished to the Administrative Agent or any Lender in connection herewith or therewith, contains with respect to the Borrower and its Subsidiaries and to the knowledge of the Borrower with respect to the ACC Group based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, 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. On the Closing Date, there is no fact known to any Loan Party which materially adversely affects the business, financial condition or results of operations of the Borrower and its Subsidiaries taken as a whole 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 material 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 Acquisition in accordance with the Acquisition 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 AND MATERIAL CONTRACTS.

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 Subsidiary 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 could reasonably be expected to result in a Material Adverse Change. All Material Contracts described in clauses (ii) or (iii) of the definition of "Material Contracts" to which any Loan Party or any Subsidiary of any Loan Party is a party or by which any Loan Party or Subsidiary of any Loan Party is bound are valid, binding and enforceable upon such Loan Party or Subsidiary and to the best knowledge of the Borrower upon each of the other parties thereto in accordance with their respective terms, and there is no default by any Loan Party or any Subsidiary of any Loan Party under any Material Contract nor, to the Loan Parties' knowledge, any default thereunder with respect to parties thereto other than any Loan Party or Subsidiary of a Loan Party except in each case to the extent the same could not reasonably be expected to result in a Material Adverse Change. None of the Loan Parties or their Subsidiaries is bound by any contractual obligation, or subject to any restriction in any organization document, or any requirement of Law which could reasonably be expected to result in 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 insurance policies or bonds to which the Loan Parties are subject, 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 could not reasonably be expected to result in 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 Subsidiary 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 and 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 (other than premium payments), and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA. All Plans and Benefit Arrangements have been administered in all material respects 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 could reasonably be expected to result in 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 could reasonably be expected to result in 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.

5.1.20 TITLE TO PROPERTIES.

Each Loan Party and each Subsidiary of each Loan Party has good and marketable title to or valid leasehold interest in all material properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens, and subject to the terms and conditions of the applicable leases. On the Closing Date, Arch Western, in accordance with the Purchase Agreement and the Contribution Agreement, shall have received as a contribution to its capital such assets as are necessary for the operation of the Business, including, without limitation, all material assets set forth in the ACC Balance Sheet (other than assets permitted to otherwise be sold or transferred by ACC in accordance with the Purchase Agreement or Contribution Agreement prior to the Closing Date and other than those assets which, in accordance with the Purchase Agreement or Contribution Agreement, are not to be transferred by ACC to Arch Western).

5.1.21 BLACK LUNG.

As of the Closing Date, the Historical Statements, in the case of the Borrower and its Subsidiaries, and to the knowledge of the Borrower, on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, the ACC Annual Statements in the case of ACC, contain reasonably adequate reserves in accordance with GAAP for the respective black lung liabilities of the Borrower and its Subsidiaries and for ACC.

5.1.22 COASTAL AGREEMENT.

Canyon Fuel is a "Buyer Indemnitee" under the Coastal Agreement and, as such, has the rights of an "Indemnified Party" under the Coastal Agreement. Consummation of the Acquisition will not alter the rights of Canyon Fuel under the Coastal Agreement.

5.2 CONTINUATION OF REPRESENTATIONS.

Except as to those representations and warranties limited by their terms to the Closing Date, the Borrower makes the representations and warranties in this Section 5 on the date hereof and on the Closing Date, 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 [First Loans and Letters of Credit] and

6.2 [Each Additional Loan or Letter of Credit] and on the Syndication Date as provided in and subject to Section 6.3 [Syndication].

6. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Lender to make Loans and of the Issuing Banks 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 Acquisition) 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 Lender 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 Lender 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 Lender 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 AGREEMENT.

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

6.1.4 OPINION OF COUNSEL.

There shall be delivered to the Administrative Agent for the benefit of each Lender a written opinion of Kirkpatrick & Lockhart LLP and of Jeffry 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:

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

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

There shall also be delivered to the Administrative Agent a copy of the opinion of John R. Lucas, Associate General Counsel to ARCO.

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 Acquisition 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 Arrangers all fees required to be paid by the Borrower to the Arrangers, to the Administrative Agent for itself and for the account of the Lenders 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 Arrangers and the Lenders 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 Acquisition Documents shall have been obtained.

6.1.8 OFFICER'S CERTIFICATE REGARDING NO MATERIAL ADVERSE CHANGE AND SOLVENCY.

Since December 31, 1997, no Material Adverse Change shall have occurred; since December 31, 1997 and through the Closing Date, there shall have been no material change in the management of the Borrower; and there shall have been delivered to the Administrative Agent for the benefit of each Lender a certificate dated the Closing Date, in form and substance satisfactory to the Agents and signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower to each such effect and further certifying that the Borrower and its Subsidiaries, on a consolidated basis are Solvent and the accuracy of all representations and warranties by the Loan Parties under the Loan Documents, the compliance with all covenants under the Loan Documents and the absence of any Event of Default or Potential Default, with all certifications after giving effect to the Acquisition.

6.1.9 NO VIOLATION OF LAWS.

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

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 Acquisition, the Acquisition 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 or which in the good faith judgment of the Agents could adversely affect the syndication of the Loans.

6.1.11 ACQUISITION.

Any material changes to the Contribution Agreement or the Purchase Agreement, and any changes to the forms of the Tax Sharing Agreement or the LLC Agreements delivered to the Arrangers at or about the time of execution of the Purchase Agreement, shall be reasonably satisfactory to the Arrangers in their sole discretion. The organization and capital structure of Arch Western shall be satisfactory to the Agents in their sole discretion. All conditions to closing shall have been satisfied under the Acquisition Documents or waived to the satisfaction of the Agents. The Acquisition shall have been consummated in accordance with the

terms of the Acquisition Documents, and an Authorized Officer of the Borrower shall certify the foregoing to the Administrative Agent for the benefit of each Lender.

6.1.12 FINANCIAL PROJECTIONS.

The Financial Projections shall be satisfactory in form and substance to the Agents.

6.1.13 ARCH WESTERN CAPITAL AND FINANCING.

Contributions to the equity of Arch Western shall have been consummated on terms and conditions and in the amounts required by the Acquisition Documents. All conditions to closing shall have been satisfied under the Arch Western Credit Facility.

6.1.14 INSURANCE.

The Borrower shall have delivered to the Agents evidence of the insurance required under the Loan Documents.

6.1.15 PAYOFF OF EXISTING CREDIT FACILITY.

On or before the Closing Date, the Borrower shall have repaid the Existing Credit Facility and shall have terminated the Existing Credit Facility 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 Agents to the satisfaction of the Agents.

6.1.16 NON-OCCURRENCE OF CERTAIN EVENTS.

No disruption or change in the financial, banking or capital markets shall have occurred or shall be pending which, in the good faith judgment of the Agents, could adversely affect the syndication of the Loans.

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 Lenders; and the Borrower shall have delivered to the Administrative Agent (and the Issuing Banks in the case of a 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 Section 5 and of the Loan Parties 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 Lenders (i) an Officer's Certificate dated as of the Syndication Date with respect to the matters set forth in Sections 6.3.1(a), (ii) 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, (iii) Revolving Credit Notes, Term Notes and Bid Notes dated as of the Syndication Date which give effect to the syndication on the Syndication Date of the Commitments of the Banks which originally executed the Credit Agreement in exchange for the original Revolving Credit Notes, Term Notes and Bid Notes issued to such Lenders, (iv) 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 (v) 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. The Borrower agrees that it will cooperate with the Agents in syndicating the credit facilities, including, without limitation, by consenting to reasonable amendments to this Agreement (other than changes in pricing) and the other Loan Documents which may be required by potential syndicate members.

7. COVENANTS

7.1 AFFIRMATIVE COVENANTS.

The Borrower covenants and agrees that until payment in full of the Loans and Reimbursement Obligations 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 Arch Western to, maintain its legal existence as a corporation or limited liability company, as the case may be. The Borrower shall cause each of its Subsidiaries (other than Arch Western, which is subject to the previous sentence) to maintain its legal existence as a corporation, limited partnership or limited liability company, as the case may be, except as otherwise expressly permitted in Section 7.2.3 [Liquidations, Mergers, etc.]. The Borrower shall, and shall cause Arch Western to, maintain 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 where the failure to so qualify or maintain such qualification could be corrected without a material adverse effect on the Borrower or Arch Western. The Borrower shall cause each of its Subsidiaries (other than Arch Western, which is subject to the previous sentence) to maintain 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 where the failure to so qualify could not reasonably be expected to result in a Material Adverse Change.

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 after becoming due, 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 and with respect to which there are proper reserves as required by GAAP.

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 material 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 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 Banks may reasonably request, PROVIDED that each Bank shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection. In the event any Bank desires to conduct an audit of the Borrower or any Subsidiary of the Borrower, such 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, could not reasonably be expected to 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 could reasonably be expected to result in 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 result in 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 for the Borrower and its Subsidiaries, (ii) to finance the Acquisition Transactions or (iii) to refinance the Existing Credit Facility. 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 MAINTENANCE OF MATERIAL CONTRACTS.

The Borrower shall, and shall cause each of its Subsidiaries to, comply with the provisions of and to maintain in full force and effect all Material Contracts to which any such Person is a party, except where the failure to so maintain in full force and effect a license, permit or a Material Contract could not be reasonably expected to result in a Material Adverse Change.

7.2 NEGATIVE COVENANTS.

The Borrower covenants and agrees that until payment in full of the Loans and Reimbursement Obligations 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;

(ii) additional Indebtedness of the Borrower or any other Loan Party incurred after the Closing Date (not to exceed $300,000,000 in the aggregate outstanding for all Loan Parties at any time during any period prior to the date on which the senior unsecured long-term debt of the Borrower, on a consolidated basis, has been rated

Investment Grade) 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], Section 7.2.11 [Minimum Fixed Charge Coverage Ratio], and Section 7.2.12 [Minimum Net Worth] determined on a pro forma basis (in the case of the Fixed Charge Coverage Ratio, the Minimum Net Worth test and the Leverage Ratio as of the end of the fiscal quarter most recently ended and as if such proposed additional Indebtedness was outstanding as of the first day of such fiscal quarter), and

(z) the covenants and defaults applicable in respect of such proposed additional Indebtedness 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;

(iii) Indebtedness of Arch Western payable to Borrower, subject to the limitations of Section 7.2.14(v);

(iv) Indebtedness of Arch Western and its Subsidiaries pursuant to the Arch Western Credit Facility;

(v) Indebtedness of any Subsidiary of the Borrower which is a member of the Arch Coal Group payable to the Borrower or to any other member of the Arch Coal Group;

(vi) Indebtedness of the Borrower payable to Arch Western; and

(vii) Indebtedness of the Borrower and its Subsidiaries reflected in the Historical Statements (other than Indebtedness refinanced with the proceeds of the Loans) and any refinancings thereof or amendments thereto that do not increase the amount of such Indebtedness beyond an amount otherwise permitted by this Agreement.

7.2.2 LIENS.

The Borrower shall not, and shall not permit any member of the Arch Coal Group to, at any time create, incur, assume or suffer to exist any Lien on any of its respective 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 Indebtedness secured by such Permitted Liens does not at any time exceed seven and one-half percent (7 1/2%) of the total assets of the Arch Coal Group (exclusive of Investment in the Arch Western Group), 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 (except for the Excluded Subsidiaries),

(2) the Borrower and Arch Western may complete the Acquisition in accordance with the Acquisition Documents, and

(3) 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], 7.2.11 [Minimum Fixed Charge Coverage Ratio], and 7.2.12 [Minimum Net Worth] 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 as if such liabilities were incurred as of the first day of the applicable period of determination).

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, 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 by any Subsidiary of the Borrower which is a member of the Arch Coal Group to any other member of the Arch Coal Group or any sale, transfer or lease of assets by any Subsidiary of Arch Western which is a member of the Arch Western Group to any other member of the Arch Western Group;

(iii) any sale of assets if and to the extent the Net Cash Proceeds thereof are applied within 90 days of the consummation of such sale to the purchase by the Borrower or a Subsidiary of substitute assets; PROVIDED that the Borrower shall have delivered to the Administrative Agent a certificate (a "Replacement Sales Certificate") of the chief financial officer or the treasurer of the Borrower, certifying as to (x) the amount of such Net Cash Proceeds and (y) the fact that the Borrower or a Subsidiary shall invest such Net Cash Proceeds in substitute assets within 90 days after the date of consummation of such sale; and PROVIDED FURTHER that if and to the extent such Net Cash Proceeds are not so applied to the purchase of substitute assets within such 90-day period, such sale shall be deemed to have been made on the last day of such period pursuant to clause (v) below;

(iv) any sale, transfer or lease (including any lease transaction under Section 7.2.9 [Off Balance Sheet Financing]) of assets, other than those specifically excepted pursuant to clauses (i) through (iii) above, PROVIDED that (a) at the time of any disposition, no Event of Default shall exist or shall result from such disposition, (b) the Borrower and its Subsidiaries shall be in compliance with the covenants contained in Sections 7.2.10 [Maximum Leverage Ratio], 7.2.11 [Minimum Fixed Charge Coverage Ratio], and 7.2.12 [Minimum Net Worth] determined on a pro forma basis after giving effect to each such sale, transfer or lease of assets, and (c) 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 Arch Coal Group (exclusive of investment in the Arch Western Group) (as of the last day of such calendar year), determined and consolidated in accordance with GAAP; (v) any sale, transfer or lease of assets, other than those specifically excepted pursuant to clauses (i) through (iv) above or clause (vi) below, so long as the Net Cash Proceeds are applied as a mandatory prepayment of the Term Loans in accordance with the provisions of Section 4.4.6;

(vi) any transfer of assets by the Borrower to Arch Western as contemplated by the Contribution Agreement; or

(vii) any transfer of assets by any member of the Arch Western Group permitted by the Arch Western Credit Facility, as in effect on the Closing Date.

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) with any Affiliate of the Borrower 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) the Excluded Subsidiaries, (ii) any Significant Subsidiary which has joined the Guaranty Agreement as Guarantor on the Closing Date; (iii) any Significant Subsidiary formed or acquired after the Closing Date which becomes a Guarantor in accordance with Section 10.18 [Joinder of Guarantors]; (iv) 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 (v) 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]. Neither the Borrower nor any Subsidiary of the Borrower shall become or agree to become (1) 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 an Investment in a Permitted Joint Venture; PROVIDED, HOWEVER, that the aggregate permitted Investments in all Permitted Joint Ventures shall not at any time exceed, for all Loan Parties and their Subsidiaries, $50,000,000, 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 and except that the Borrower may hold a limited liability company interest in Arch Western and Arch Western may hold limited liability company interests in its Subsidiaries which are members of the Arch Western Group.

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 Acquisition 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 results in liability under ERISA which could reasonably be expected to result in a Material Adverse Change.

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 [other than accounts receivable or inventory securitizations], sale/leasebacks, or Synthetic Leases), in excess, in the aggregate for the Borrower and its Subsidiaries as of any date of determination, of 7.5% of the sum, without duplication, of (y) the total assets of the Borrower and its Subsidiaries, determined and consolidated in accordance with GAAP as of the date of determination, and (z) with respect to each Special Subsidiary, an amount equal to the Appropriate Percentage multiplied by the total assets of such Person, determined in accordance with GAAP. 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 and (b) the amount of any lease which is not a capital lease in accordance with GAAP is the aggregate amount of minimum lease payments due pursuant to such lease for any noncancelable portion of its term.

7.2.10 MAXIMUM LEVERAGE RATIO.

The Borrower shall not at any time permit the Leverage Ratio to exceed the ratio set forth below for the periods specified below:

PERIOD	RATIO
Closing Date through and including December 31, 1998	4.50 TO 1.00
January 1, 1999 through and including December 31, 1999	4.25 TO 1.00
January 1, 2000 through and including December 31, 2000	4.00 TO 1.00
January 1, 2001 through and including December 31, 2001	3.50 TO 1.00
January 1, 2002 and thereafter	3.00 TO 1.00

7.2.11 MINIMUM FIXED CHARGE COVERAGE RATIO.

The Borrower shall not permit the Fixed Charge Coverage Ratio, to be less than the ratio set forth below for the periods specified below:

PERIOD	RATIO
Closing Date through and including December 31, 1998	2.50 TO 1.00
January 1, 1999 through and including December 31, 1999	2.75 TO 1.00
January 1, 2000 through and including December 31, 2000	3.00 TO 1.00
January 1, 2001 and thereafter	3.25 TO 1.00

7.2.12 MINIMUM NET WORTH.

The Borrower shall not at any time permit Consolidated Tangible Net Worth to be less than the Base Net Worth.

7.2.13 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), other than restrictions applicable to the Arch Western Group set forth in the Arch Western Credit Facility, other than restrictions applicable to Arch Western set forth in the Arch Western LLC Agreement and other than restrictions applicable to Canyon Fuel set forth in the Canyon Fuel LLC Agreement.

7.2.14 LOANS AND INVESTMENTS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds (other than, in the ordinary course of business, royalty bonds or bonds securing performance by the Borrower or a Subsidiary of the Borrower under bonus bids), notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other Investment or interest in, or make any capital contribution to, any other Person (an "investment"), or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) investments by the Borrower in its Subsidiaries which are members of the Arch Coal Group;

(iii) Permitted Investments;

(iv) investments in Permitted Joint Ventures in accordance with Section 7.2.6 [Subsidiaries, Partnerships and Joint Ventures];

(v) investments by the Borrower in, or reimbursement obligations by the Borrower to an Issuing Bank with respect to any Letter of Credit issued for the direct or indirect benefit of, Arch Western (collectively the "Permitted Investments in Arch Western"); PROVIDED, HOWEVER, that the Borrower shall not make any Permitted Investment in Arch Western if at the time such investment is proposed to be made and after giving effect thereto (x) the aggregate amount of the Permitted Investments in Arch Western would exceed $100,000,000 and (y) the Leverage Ratio would be greater than 3.00 to 1.00; and

(vi) loans and advances permitted by Section 7.2.1(v).

7.2.15 NO AMENDMENTS TO ACQUISITION DOCUMENTS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any amendment or modification to or waiver or consent under (or solicit any such amendment, modification, waiver or consent) any of the Acquisition Documents or the Coastal Agreement which could reasonably be expected to be material and adverse to the Banks without the prior written consent of the Agents.

7.3 REPORTING REQUIREMENTS.

The Borrower covenants and agrees that until payment in full of the Loans and Reimbursement Obligations, 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 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 and its Subsidiaries, consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter, related consolidated and consolidating statements of income and stockholders' equity and related consolidated statement of 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 with respect to the consolidated financial statements required to be delivered under 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 meet 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 and its Subsidiaries consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, related consolidated and consolidating statements of income and stockholders' equity and related consolidated statement of 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, in the case of the consolidated financial statements, 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 with respect to the consolidated financial statements required to be delivered under 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 meet 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 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 $20,000,000, individually or in the aggregate, or (y) involve a claim or series of claims which if adversely determined could reasonably be expected to result in a Material Adverse Change.

7.3.6 NOTICE OF CHANGE IN DEBT RATING.

Within five (5) 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 which has not been waived by the PBGC,

(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 but only if the assessment of such civil penalty or tax could reasonably be expected to result in a Material Adverse Change,

(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 where such cessation of operations is likely to result in a material liability under ERISA Sections 4060 or 4064,

(vi) withdrawal by the Borrower or any other member of the ERISA Group from a Multiple Employer Plan where such withdrawal is likely to result in material withdrawal liability,

(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 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 Lender, 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 notice of standard termination with the PBGC, or any successor or equivalent form, filed with the PBGC in connection with the termination of any Plan.

7.3.8 OTHER INFORMATION.

Promptly following request therefor, such other information as any Agent or Lender may reasonably request.

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) or Reimbursement Obligation when such principal is due hereunder or (ii) any interest on any Loan or Reimbursement Obligation 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.

(a) Any representation or warranty made by the Borrower in Sections 5.1.3(b), 5.1.4(b), 5.1.5(b), 5.1.7(i)(b), 5.1.7(ii)(b) or, with respect to the ACC Group, in Section 5.1.9 hereof shall prove to have been false or misleading as of the time it was made by the Borrower without giving effect to the qualification in each such Section that the Borrower was making such representation or warranty "to the knowledge of the Borrower", to an extent that could reasonably be expected to result in a Material Adverse Change;

(b) Any other 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], Section 7.2 [Negative Covenants] or 7.3.4 [Notice of Default];

8.1.4 BREACH OF OTHER COVENANTS.

(a) Any of the Loan Parties shall fail to timely perform the covenants set forth in Sections 7.3.1, 7.3.2 or 7.3.3 [Reporting Requirements] 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;

(b) 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 or any Derivatives Obligations under which any Loan Party or Subsidiary of any Loan Party (other than Excluded Subsidiaries) may be obligated as a borrower or guarantor in excess of $20,000,000 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 (or with the giving of notice or the passage of time or both would permit or cause) 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 $20,000,000 in the aggregate shall be entered against any Loan Party or any Subsidiary of 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 if and for so long as (i) the amount of such judgment or order in excess of $20,000,000 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 any Loan 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 $20,000,000 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.

The Borrower and its Subsidiaries, taken as a whole, cease to be Solvent;

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) 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 any Material 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 any Material 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 any Material 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, the Issuing 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 shall not make any Swing Loans without the consent of the Required Banks nor shall any Issuing Bank issue any Letter of Credit without consent of the Required Banks), 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, Term Loans, Bid Loans and Swing Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Lenders 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 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 Lenders shall be under no further obligation 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 Lenders 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 Lender to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Lender which has agreed in writing to be bound by the provisions of Section 9.13 [Equalization of Lenders] and any branch, Subsidiary or Affiliate of such Lender 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 Lender 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 Lender or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Lender 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 Lender 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 the Committed Loans pursuant to any of the foregoing provisions of this Section 8.2, the Agents or any Lender, 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 Lender; 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 Lenders for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by the Administrative Agent or the Lenders 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 Lenders 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 Lenders under the Loan Documents or applicable Law.

8.3 RIGHT OF COMPETITIVE BID LOAN LENDERS.

If any Event of Default shall occur and be continuing, the Lenders which have any Bid Loans then outstanding to the Borrower (the "Bid Loan Lenders") 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, references to Revolving Credit Loans in Section 8.2 shall be deemed to apply also to the Bid Loans and the Bid Loan Lenders shall be entitled to all enforcement rights given to a holder of a Revolving Credit Loan in Section 8.2.

9. THE AGENTS

9.1 APPOINTMENT.

Each Lender hereby designates, appoints and authorizes: (i) PNC Bank to act as Administrative Agent for such Lender under this Agreement and the other Loan Documents for such Lender under this Agreement and to execute and deliver or accept on behalf of each of the Lenders the other Loan Documents, and (ii) authorizes each of PNC Bank and Morgan to act as Agent for such Lender under this Agreement. Each Lender 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 Lenders 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] 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 Lender; 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 Lender 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 Lender; (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 Lender 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 Lender 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 Lender 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 Lenders 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 Lenders 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 Lender, the Administrative Agent or any Agent or any of their respective Subsidiaries against the Administrative Agent, any Agent, any Lender 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 Lender hereby waives, releases and agrees 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 Lender agrees that, except for notices, reports and other documents expressly required to be furnished to the Lenders 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 Lenders, 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 Lender 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 LENDERS.

Each Lender 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 Revolving Credit Ratable Share and/or Term Loan Ratable Share, as applicable, from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, reasonable costs, expenses or disbursements, including attorneys' fees and disbursements, 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 Lender 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 Lender was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Lender shall remain liable to the extent such failure to give notice does not result in a loss to the Lender), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Lender, which shall not be unreasonably withheld. In addition, each Lender 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 Revolving Credit Ratable Share and its Term Loan Ratable Share, as applicable, 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 Lenders 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 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 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 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, Term Loan Commitment, the Revolving Credit Loans, the Term 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 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 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 "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, each other Agent and its Affiliates, and each of the Lenders 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 Lender, as though such Lender were not a Lender hereunder. The Lenders 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 Lenders.

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 LENDERS.

The Lenders and the holders of any participations in any Commitments or Loans or other rights or obligations of a Lender hereunder agree among themselves that, with respect to all amounts received by any Lender 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 Lenders and such holders in proportion to their interests in payments on the Loans, except as otherwise provided in Sections 3.4.3 [Administrative Agent's and Lender's Rights], 4.4.2 [Replacement of a Lender] or 4.5 [Additional Compensation in Certain Circumstances]. The Lenders or any such holder receiving any such amount shall purchase for cash from each of the other Lenders an interest in such Lender's Loans in such amount as shall result in a ratable participation by the Lenders 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 Lender 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 Lender 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 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 Lender], 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 Banks a successor to such Agent or Administrative Agent, as the case may be, for the Banks, subject to the consent of the Borrower, such consent not to be unreasonably withheld (PROVIDED, THAT, no consent of the Borrower shall be required during any period when an Event of Default exists and is continuing), 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 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 (PROVIDED, THAT, no consent of the Borrower shall be required during any period when an Event of Default exists and is continuing), a successor who shall be a Bank 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 FEES.

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 Lender 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 Lender 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 Lenders and whether such funding occurs before or after the time on which Lenders 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 Lender, the Administrative Agent shall be entitled to recover such amount on demand from such Lender (or, if such Lender 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 Lender whether in respect of the Loans, fees or any other amounts due to the Lenders under this Agreement. In the event an error in computing any amount payable to any Lender is made, the Administrative Agent, the Borrower and each affected Lender 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 Lenders, 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 Lenders 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 Lenders, 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 Lenders 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 Lenders and the Loan Parties; PROVIDED, that no such agreement, waiver or consent may be made which will:

10.1.1 INCREASE OF REVOLVING CREDIT COMMITMENTS; EXTENSION OF EXPIRATION DATE; MODIFICATION OF TERMS OF PAYMENT.

Without the written consent of the Required Banks and all Banks which have a Revolving Credit Commitment, increase the amount of the Revolving Credit Commitment of any Bank hereunder, extend the Expiration Date, whether or not any Revolving Credit Loans are outstanding, extend the time for payment of principal or interest of any Revolving Credit Loan, the Facility Fee or any other fee payable to any Bank which has a Revolving Credit Commitment, reduce the principal amount of or the rate of interest borne by any Revolving Credit Loan, reduce the rate of the Facility Fee or any other fee payable to any Bank which has a Revolving Credit Commitment;

10.1.2 INCREASE OF TERM LOAN COMMITMENTS; EXTENSION OF TERM LOAN EXPIRATION DATE; MODIFICATION OF TERMS OF PAYMENT.

Without the written consent of the Required Banks and all Banks which have a Term Loan Commitment, increase the amount of the Term Loan Commitment of any Bank hereunder, extend the Term Loan Expiration Date, whether or not any Term Loans are outstanding, extend the time for payment of principal or interest of any Term Loan, or any fee payable to any Bank which has a Term Loan Commitment, reduce the principal amount of or the rate of interest borne by any Term Loan, reduce the rate of the Facility Fee or any other fee payable to any Bank which has a Term Loan Commitment;

10.1.3 RELEASE OF GUARANTOR.

Without the written consent of all Banks, 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, 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 and that at the time of the requested release no Letters of Credit are outstanding directly or indirectly for the benefit of such Subsidiary nor are any Reimbursement Obligations due and owing by such 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 Bank; or

10.1.4 MISCELLANEOUS.

Without the written consent of all Banks, amend Sections 4.2 [Pro Rata Treatment of Banks], 9.6 [Exculpatory Provisions, etc.] or 9.13 [Equalization of Lenders] or this Section 10.1, alter any provision regarding the pro rata treatment of the Lenders, change the definition of Required Banks, or change any requirement providing for the Lenders, all the Lenders 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 Lender 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 Lenders 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 Lender 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 LENDERS BY THE BORROWER; TAXES.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Lender (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 Lender 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 Lender (except with respect to (A) and (B) below), incurred by such Lender (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 Lender, 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 Lender 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 Lender'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 Lenders will attempt to minimize the fees and expenses of legal counsel for the Lenders which are subject to reimbursement by the Borrower hereunder by considering the use of one law firm to represent the Lenders, 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 Lender 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 Lenders 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 Revolving Credit Loans, Bid Loans and Swing Loans shall be due on the Business Day preceding the Expiration Date if the Expiration Date is not a Business Day and the Term Loans shall be due on the Business Day preceding the Term Loan Expiration Date if the Term Loan 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 Lender 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 Lender) of such Lender 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 Lender without regard to such Lender's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Lender.

10.5.2 ACTUAL FUNDING.

Each Lender shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary or Affiliate of such Lender to make or maintain such Loan subject to the last sentence of this Section 10.5.2. If any Lender 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 Lender, but in no event shall any Lender's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder cause such Lender 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 Lender (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 Lender 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 Lenders 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 [Successors and Assigns] 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 Lenders, 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 Lenders] and 10.3 [Reimbursement and Indemnification of Lenders 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 Lenders, 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 Banks (each on its own behalf and on behalf of any Designated Lenders of such 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 Lender of its Loans, Letters of Credit Outstanding or Commitments except for assignments or designations of Bid Loans among Designating Banks or Designated Lenders described in Section 10.11.3. Each Bank may, at its own cost, make assignments of all or any part of its Revolving Credit Commitment and Revolving Credit Loans, Term Loan Commitment and Term Loans, Bid Loans and its Revolving Credit Ratable Share of Letters of Credit Outstanding 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 $5,000,000 (unless such assignment is an assignment of all of a Banks Loans or Commitments) and a Lender may assign a Bid Loan to another Person only if either such Lender is a Bank and is simultaneously assigning all or a portion of its Revolving Credit Commitment to such Person, or the assignee is already a Bank hereunder. Each Lender may, at its own cost, grant participations in all or any part of its Revolving Credit Commitment and the Revolving Credit Loans, Term Loan Commitment and Term Loans, and Bid Loans made by it and of its Revolving Credit Ratable Share of Letters of Credit Outstanding 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 Term Loan Commitment or 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 Bank hereunder, the Commitments in Section 2.1 shall be adjusted accordingly, and upon surrender of any Revolving Credit Note or Term Note subject to such assignment, the Borrower shall execute and deliver a new Revolving Credit Note or Term Note to the assignee in an amount equal to the amount of the Revolving Credit Commitment or Term Loan Commitment assumed by it and a new Revolving Credit Note or Term Note to the assigning Bank in an amount equal to the Revolving Credit Commitment or Term Loan Commitment retained by it hereunder. The assigning Lender 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 Lender 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 Lender in respect of such participation to be those set forth in the agreement executed by such Lender 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 Lender'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 Lender 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 Lender 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 Lender 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 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 [Assignments and Participations, etc.] shall not apply to any such designation. No 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 its 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, 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 Lenders 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 [Tax Withholding Clause] 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 [Assignments and Participations, etc.], 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 Lender 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 later to occur of the Expiration Date or the Term Loan Expiration Date.

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 relating to federal income tax withholding. Each Lender 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 Lender 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 LENDERS TO FEDERAL RESERVE Banks.

Notwithstanding any other provision in this Agreement, any Lender 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 Lender of its obligations hereunder or under any other Loan Document.

10.12 CONFIDENTIALITY.

10.12.1 GENERAL.

The Agents, the Administrative Agent and the Lenders 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 Lenders 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 [Successors and Assigns], (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 LENDERS.

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 Lender or by one or more Subsidiaries or Affiliates of such Lender and the Borrower (on its own behalf and on behalf of its Subsidiaries) hereby authorizes each Lender to share any information delivered to such Lender by the Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such Subsidiary or Affiliate of such Lender, it being understood that any such Subsidiary or Affiliate of any Lender receiving such information shall be bound by the provisions of Section 10.12.1 as if it were a Lender 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 LENDER'S CONSENT.

Whenever the Administrative Agent's, any Agent's or any Lender'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 Lender 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 LENDERS 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 Lender or assignee or participant of a Lender 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 Lender, 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 Lender, assignee or participant indicating that no such exemption or reduced rate is allowable with respect to such payments. Each Lender, 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 Lender 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 Lender; (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 Lender, 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 Lender, 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 Lender, 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] or any Subsidiary of the Borrower which is a member of the Arch Coal Group which has not previously executed a Guarantor Joinder but which desires to have a Letter of Credit issued for its benefit pursuant to Section 2.10.1 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. With respect to Subsidiaries (other than Excluded Subsidiaries) which become Significant Subsidiaries, the Borrower shall deliver such Guarantor Joinder and related documents to the Administrative Agent within thirty (30) Business Days after the end of the fiscal quarter in which such Subsidiary of the Borrower becomes a Significant Subsidiary.

[SIGNATURE PAGES FOLLOW]

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:

By: /s/ Miriam Rogers Singer

Miriam Rogers Singer
Assistant Secretary

[Seal]

ARCH COAL, INC.

By: /s/ Patrick A. Kriegshauser

Patrick A. Kriegshauser
Senior Vice President/Chief Financial Officer/Treasurer

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

By: /s/ Richard L. Munsick

Title: Vice President

SIGNATURE PAGE 3 OF 22 TO THE ARCH COAL, INC. CREDIT AGREEMENT]

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

By: /s/ John M. Mikolay

Title: John M. Mikolay, Vice President

FIRST UNION NATIONAL BANK,
individually and as Documentation Agent

By: /s/ Laurence M. Levy

Title: Vice President

NATIONSBANK, N.A.

By: /s/ Denise A. Smith

Title: Senior Vice President

BANK OF MONTREAL

By: /s/ Ian M. Plester

Title: Ian M. Plester

Director

THE BANK OF NEW YORK

By: /s/ Nathan S. Howard

Title: Nathan S. Howard

Vice President

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H. Ashby

Title: F.C.H. Ashby

Senior Manager Loan Operations

BARCLAYS BANK PLC

By: /s/ Carol A. Cowan

Title: Carol A. Cowan

Director

THE CHASE MANHATTAN BANK

By: /s/ Michael D. Feist

Title: Michael D. Feist

Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.,
CHICAGO BRANCH

By: /s/ Hajime Watanabe

Title: Hajime Watanabe

Deputy General Manager

CREDIT LYONNAIS CHICAGO BRANCH

By: /s/ Sandra E. Horwitz

Title: Sandra E. Horwitz

Senior Vice President

Midwest Regional Manager

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ William V. Clifford

Title: William V. Clifford

Vice President

INTENTIONALLY OMITTED

BANK ONE, KENTUCKY, NA

By: /s/ James A. Tutt

Title: James A. Tutt

Senior Vice President

THE FUJI BANK, LIMITED

By: /s/ Peter L. Chinnici

Title: Peter L. Chinnici

Joint General Manager

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By: /s/ Walter Wolff

Title: Senior Vice President

Deputy General Manager

MERCANTILE BANK NATIONAL ASSOCIATION

By: /s/ Stephen M. Reese

Title: Stephen M. Reese

Vice President

ABN AMRO BANK, N.V.

By: /s/ Gregory D. Amoroso

Title: Group Vice President

/s/ Carrie A. Pence

Carrie A. Pence, Vice President

DRESDNER BANK AG NEW YORK BRANCH

By: /s/ Wayde Colquhoun

Title: Wayde Colquhoun, Vice President

By: /s/ P. Douglas Sherrod

By: P. Douglas Sherrod

Title: P. Douglas Sherrod, Vice President

BANK HAPOALIM B.M. PHILADELPHIA BRANCH

By: /s/ Carl Hopfinger

Title: Vice President

By: /s/ F. J. McEntee

Title: Vice President/Controller

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

By: /s/ Richard E. Stahl

Title: Executive Vice President

EXHIBIT 4.2

$675,000,000 TERM LOAN
CREDIT AGREEMENT

by and among

ARCH WESTERN RESOURCES, LLC

and

THE BANKS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION,

as Administrative Agent

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

as Syndication Agent

and

NATIONSBANK, N.A.,

as Documentation Agent

Dated as of June 1, 1998

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SCHEDULES

EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of June 1, 1998, and is made by and among ARCH WESTERN RESOURCES, LLC, a Delaware limited liability company (the "Borrower"), the BANKS (as hereinafter defined), MORGAN GUARANTY TRUST COMPANY OF NEW YORK, in its capacity as syndication agent, NATIONSBANK, N.A., in its capacity as documentation agent, and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent for the Banks under this Agreement.

WITNESSETH:

WHEREAS, the Borrower has requested the Banks to provide to the Borrower a $675,000,000 term loan facility;

WHEREAS, the term loan facility shall be used to finance the Distribution (as hereinafter defined); 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:

ACC shall mean the U.S. operations of ARCO Coal Company, a division of ARCO.

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

ACC BALANCE SHEET shall mean the audited, consolidated balance sheet of ACC as of December 31, 1997.

ACC GROUP shall mean collectively, ARCO and each Affiliate of ARCO party to any Acquisition Document.

ACQUISITION DOCUMENTS shall mean collectively the Purchase Agreement, the Contribution Agreement, the Tax Sharing Agreement, and the LLC Agreements, as limited

by their schedules and exhibits, as the same may be amended, modified or supplemented after the Closing Date as permitted by Section 7.2.14.

ACQUISITION TRANSACTIONS shall mean the transactions contemplated by the Purchase Agreement and the Contribution Agreement, as such documents may be amended, modified or supplemented after the Closing Date as permitted by Section 7.2.14.

ADJUSTED EBITDDA for any period of determination shall mean with respect to any Person the sum of income from operations before the effect of changes in accounting principles, nonrecurring charges and extraordinary items, net interest expense, income taxes, depreciation, depletion and amortization in each case for such period determined in accordance with GAAP. For purposes of calculating the Fixed Charge Coverage Ratio (i) Adjusted EBITDDA of the Borrower and its Subsidiaries, including the Appropriate Percentage of Adjusted EBITDDA of Canyon Fuel, shall be assumed to be $39,200,000 for the fiscal quarter ended March 31, 1998, and (ii) Adjusted EBITDDA for the Borrower and its Subsidiaries, including the Appropriate Percentage of Adjusted EBITDDA of Canyon Fuel for the months of April and May, 1998, shall be determined based upon the results from the operations of the business of such Persons for such months by ARCO as set forth in an income statement with respect to such months prepared by ARCO and reasonably acceptable to the Agents, shall take into account the $1 million per month reduction in overhead resulting from the consummation of the Acquisition, shall assume that operating lease expense of the Borrower and its Subsidiaries, including Canyon Fuel, shall be $970,000 per month and shall assume that interest expense for such Persons for such months shall be zero, with such calculation of Adjusted EBITDDA for the Borrower and its Subsidiaries for such months to be reasonably acceptable to the Agents. Further, for purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ended June 30, 1998, and September 30, 1998, Adjusted EBITDDA of the Borrower and its Subsidiaries, including the Appropriate Percentage of Adjusted EBITDDA of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998 the product of, (x) without duplication, Adjusted EBITDDA of the Borrower and its Subsidiaries for the two fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, plus the Appropriate Percentage of Adjusted EBITDDA of Canyon Fuel, for the two fiscal quarters then ended, determined on a consolidated basis in accordance with GAAP, multiplied by (y) two (2); and (ii) for the fiscal quarter ended September 30, 1998 the product of, (x) without duplication, Adjusted EBITDDA of the Borrower and its Subsidiaries for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, plus the Appropriate Percentage of Adjusted EBITDDA of Canyon Fuel for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, multiplied by (y) four-thirds (4/3).

ADMINISTRATIVE AGENT shall mean PNC Bank, National Association, in its capacity as administrative agent for the Banks under this Agreement and its successors in such capacity.

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. Notwithstanding the foregoing, a Subsidiary of the Borrower shall not be deemed an Affiliate of the Borrower.

AGENTS shall mean collectively the Administrative Agent, the Documentation Agent and the Syndication Agent, and AGENT shall mean any one 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.

APPLICABLE MARGIN shall mean, as applicable:

(A) the percentage spread to be added to Base Rate under the Base Rate Option at the indicated level of Leverage Ratio for any period during which a Debt Rating is not in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (A) below the heading "Term Loan Base Rate Spread,"

(B) the percentage spread to be added to Base Rate under the Base Rate Option at the indicated level of Leverage Ratio for any period during which a Debt Rating is in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (B) below the heading "Term Loan Base Rate Spread,"

(C) the percentage spread to be added to Euro-Rate under the Euro-Rate Option at the indicated level of Leverage Ratio for any period during which a Debt Rating is not in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (A) below the heading "Term Loan Euro-Rate Spread," or

(D) the percentage spread to be added to Euro-Rate under the Euro-Rate Option at the indicated level of Leverage Ratio for any period during which a Debt Rating is in effect as set forth in the pricing grid on SCHEDULE 1.1(A) PART (B) below the heading "Term Loan Euro-Rate Spread."

The Applicable Margin shall be computed in accordance with the parameters set forth on SCHEDULE 1.1(A). Notwithstanding the foregoing, it is expressly agreed that following the Closing Date through and including the Initial Delivery Date, the Applicable Margin shall be

such amount as determined in accordance with SCHEDULE 1.1(A) but no less than the amount set forth in the pricing grid in Level V of PART(A) of SCHEDULE 1.1(A). For periods after the Initial Delivery Date, until such time as the Parent's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Margin shall be the amount determined under clause (A) or clause (C) above, and for any period thereafter when a Debt Rating is in effect the Applicable Margin shall be the amount determined under clause (B) or clause (D) above.

APPROPRIATE PERCENTAGE shall mean, with respect to each Special Subsidiary, the percentage of the equity of such Person owned by the Borrower or any Subsidiary of the Borrower.

ARCH CREDIT FACILITY shall mean that certain Credit Agreement by and among Parent, PNC Bank as administrative agent, Morgan as syndication agent and First Union National Bank of Virginia as documentation agent, providing for a $600,000,000 revolving credit facility and a $300,000,000 term loan facility to Parent, as the same may be amended, restated, modified or supplemented from time to time after the date hereof.

ARCH OF WYOMING LLC shall mean Arch of Wyoming, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

ARCH OF WYOMING LLC AGREEMENT shall mean that certain Limited Liability Agreement, dated as of April 15, 1998, of Arch of Wyoming LLC.

ARCH WESTERN LLC AGREEMENT shall mean that certain Limited Liability Company Agreement by and between AWAC and Delta Housing, dated as of June 1, 1998, with AWAC and Delta Housing as members and creating the Borrower.

ARCO shall mean Atlantic Richfield Company, a corporation organized and existing under the laws of the State of Delaware.

ARRANGERS shall mean PNC Bank and Morgan.

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)(1).

AU SUB LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of April 8, 1998, as amended, of AU Sub LLC, a limited liability company organized and existing under the laws of the State of Delaware.

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.

AVERAGE BALANCE OF THE ELIGIBLE NOTE RECEIVABLE shall mean, for any period of determination, the daily average outstanding principal amount of the Eligible Note Receivable during such period.

AVERAGE PLEDGED ACCOUNT BALANCE shall mean, for any period of determination, the daily average balance in the "Escrow Account" (as such term is defined in the Pledge Agreement (Investment Property) pledged on a first priority perfected basis to the Administrative Agent for the benefit of the Banks pursuant to the Pledge Agreement (Investment Property) during such period.

AWAC shall mean Arch Western Acquisition Corporation, a corporation organized and existing under the laws of the State of Delaware.

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 Bank.

BASE NET WORTH shall mean the sum of $375,000,000 plus 50% of consolidated net income of the Borrower and its Subsidiaries (before the after-tax effect of changes in accounting principles) for each fiscal quarter in which net income was earned plus 100% of the net increase in Consolidated Tangible Net Worth resulting from the issuance of any equity securities by the Borrower, for the period from the Closing Date through the date of determination. In no event shall Base Net Worth be reduced on account of a consolidated net loss for any fiscal period.

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.

BASE RATE OPTION shall mean the option of the Borrower to have Term Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1.

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.

BORROWER shall mean Arch Western Resources, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

BORROWER LLC INTERESTS 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 a Euro-Rate Option applies which become subject to the same Interest Rate Option under the same Rate 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 shall mean the business of owning and operating the U.S. domestic coal properties of ACC, substantially as operated by ACC at the time of the closing of the Acquisition Transactions.

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.

CANYON FUEL shall mean Canyon Fuel Company, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

CANYON FUEL LLC AGREEMENT shall mean that certain Limited Liability Company agreement by and between the Borrower (or a Subsidiary of the Borrower) and Itochu Coal International, Inc., a Delaware corporation, dated as of January 1, 1997, as amended, with the Borrower and Itochu Coal International, Inc. as members of the Canyon Fuel Company, LLC, a Delaware limited liability company.

CLOSING DATE shall mean the Business Day on which the Term Loans shall be made, which shall be June 1, 1998.

COASTAL AGREEMENT shall mean that certain Purchase and Sale Agreement among The Coastal Corporation, a Delaware corporation, Coastal Coal, Inc., a Delaware corporation, ARCO and Itochu Corporation, a Japanese corporation, dated as of October 23, 1996.

COLLATERAL shall mean collectively the property of the Borrower in which security interests are granted or purported to be granted to the Administrative Agent for the benefit of the Banks under the Collateral Documents.

COLLATERAL DOCUMENTS shall mean collectively, the Pledge Agreement (Subsidiary Equity Interests), the Pledge Agreement (Investment Property), the Collateral Sharing Agreement, and the Note Pledge Agreement, as the same may be supplemented or amended from time to time in accordance herewith or therewith and Collateral Document shall mean any of the Collateral Documents.

COLLATERAL SHARING AGREEMENT shall mean the Collateral Agency and Sharing Agreement among the Borrower, the Guarantors, the Banks, the Swap Parties (as defined therein) and the Collateral Agent (as defined therein), substantially in the form of EXHIBIT 1.1(C)(2) hereto.

COMMITMENT shall mean as to any Bank its Term Loan Commitment and Commitments shall mean the aggregate of the Term Loan Commitments of all of the Banks.

CONSOLIDATED TANGIBLE NET WORTH shall mean as of any date of determination, total equity less intangible assets of the Borrower and its Subsidiaries as of such date determined and consolidated in accordance with GAAP, and adjusted to exclude the after tax effect of any changes in accounting principles subsequent to the Closing Date.

CONTRIBUTION AGREEMENT shall mean that certain Contribution Agreement among the Borrower, AWAC, ARCO, Delta Housing and the Parent.

DEBT shall mean for any Person as of any date of determination the difference between the following (a) and (b): (a) the sum of the following for such Person, as of such date, determined in accordance with GAAP: (i) all indebtedness for borrowed money (including, without limitation, all subordinated indebtedness but excluding obligations under any interest rate swap, cap, collar or floor agreement or other interest rate management device), (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, (iv) reimbursement obligations (contingent or otherwise) under any letter of credit, and (v) 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, minus (b) the Permitted Reduction Amount.

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

DELTA HOUSING shall mean Delta Housing Inc., a corporation organized and existing under the laws of the State of Delaware.

DELTA HOUSING GUARANTY shall mean that certain Master Guaranty of Collection dated as of June 1, 1998, executed by Delta Housing in favor of the judgment creditors referred to therein.

DERIVATIVES OBLIGATIONS shall mean for any Person obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or

any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

DISTRIBUTION shall mean a Special Distribution (as defined in the Contribution Agreement) of $700,000,000 to be paid by the Borrower to Delta Housing pursuant to the Contribution Agreement, the proceeds of which will be further distributed by Delta Housing to ARCO on or about the date of this Agreement, in accordance with, and subject to adjustment as provided in, the Contribution Agreement.

DOCUMENTATION AGENT shall mean NationsBank, N.A. in its capacity as documentation agent under this Agreement, and its successors in such capacity.

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

EBITDDA for any period of determination shall mean with respect to any Person the sum of income from operations and interest income all before the effect of changes in accounting principles, nonrecurring charges and extraordinary items, interest expense, income taxes, depreciation, depletion and amortization in each case for such period determined in accordance with GAAP. For purposes of calculating the Leverage Ratio, (i) EBITDDA of the Borrower and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel, shall be assumed to be $39,200,000 for the fiscal quarter ended March 31, 1998, and (ii) EBITDDA for the Borrower and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel for the months of April and May, 1998, shall be determined based upon the results from the operations of the business of such Persons for such months by ARCO as set forth in an income statement with respect to such months prepared by ARCO and reasonably acceptable to the Agents, shall take into account the $1,000,000 per month reduction in overhead resulting from the consummation of the Acquisition, shall assume that operating lease expense of the Borrower and its Subsidiaries, including Canyon Fuel, shall be $970,000 per month and shall assume that interest expense for such Persons for such months shall be zero, with such calculation of EBITDDA for the Borrower and its Subsidiaries for such months to be reasonably acceptable to the Agents. Further, for purposes of calculating the Leverage Ratio for the fiscal quarters ended June 30, 1998, and September 30, 1998, EBITDDA of the Borrower and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998 the product of, (x) without duplication, EBITDDA of the Borrower and its Subsidiaries for the two fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, plus the Appropriate Percentage of EBITDDA of Canyon Fuel, for the two fiscal quarters then ended, determined on a consolidated basis in accordance with GAAP, multiplied by (y) two (2); and (ii) for the fiscal quarter ended September 30, 1998 the product of, (x) without duplication, EBITDDA of the Borrower and its Subsidiaries for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, plus the Appropriate Percentage of EBITDDA of Canyon Fuel for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, multiplied by (y) four-thirds (4/3).

ELIGIBLE NOTE RECEIVABLE shall mean that certain note payable by the Parent to the Borrower, as the same may be amended, restated or modified from time to time, satisfactory in form and substance to the Agents (including the providing of and terms and conditions of all collateral and guarantees provided as security therefor), and pledged, on a first priority perfected basis, to the Administrative Agent for the benefit of the Banks pursuant to the Note Pledge Agreement.

ENVIRONMENTAL CLAIM shall mean any administrative, regulatory or judicial action, suit, claim, notice of noncompliance 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 the environment.

ENVIRONMENTAL COMPLAINT shall mean any written complaint setting forth a cause of action for personal injury or property damage, natural resource damage, contribution or indemnity for response costs, civil penalties, criminal penalties, or declaratory or equitable relief arising under any Environmental Law or any order, notice of violation, citation, subpoena, request for information or other written notice of any type issued by an Official Body pursuant to any Environmental Law.

ENVIRONMENTAL CONDITIONS shall mean the presence of Regulated Substances in, on, under or emanating to or from the Property, which pursuant to Environmental Laws requires notification or reporting to an Official Body, or which pursuant to Environmental Laws requires the investigation, cleanup, removal or remediation of such Regulated Substances or which otherwise constitutes a violation of Environmental Laws.

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 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 1/100 of 1% per annum) (i) the rate of interest determined by the Administrative Agent (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 Dow Jones Market Service display page 3750 or such other display page on the Dow Jones Market Service 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) at 11:00 a.m. (London time) 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:

$$\text{Euro-Rate} = \frac{\text{Dow Jones Market Service page 3750 quoted by British Bankers' ASSOCIATION OR APPROPRIATE SUCCESSOR}}{\text{1.00 - Euro-Rate Reserve Percentage}}$$

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 INTEREST PERIOD shall mean the Interest Period applicable to a Loan subject to the Euro-Rate Option.

EURO-RATE OPTION shall mean the option of the Borrower to have the Term Loans bear interest at the rate and on the terms and conditions set forth in Section 3.1.1.

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."

EXPIRATION DATE shall mean, with respect to the Commitments, May 31, 2003.

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.

FINANCIAL PROJECTIONS shall have the meaning assigned to that term in Section 5.1.7(iii).

FIXED CHARGE COVERAGE RATIO shall mean the ratio of (a) the sum, without duplication, of Adjusted EBITDDA of the Borrower and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's Adjusted EBITDDA, each on a consolidated basis in accordance with GAAP, plus operating lease expense of the Borrower and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's operating lease expense, each on a consolidated basis in accordance with GAAP, to (b) the sum of Net Interest Expense (other than Permitted Loan Origination Expense) of the Borrower and its Subsidiaries plus the Appropriate Percentage of Net Interest Expense of each Special Subsidiary, each on a consolidated basis in accordance with GAAP, plus operating lease expense of the Borrower and its Subsidiaries, plus the Appropriate Percentage of operating lease expense of each Special Subsidiary, each on a consolidated basis in accordance with GAAP, all calculated as of the last day of each fiscal quarter for the four fiscal quarters of the Borrower then ended. It is assumed that operating lease expense of the Borrower and its Subsidiaries, including Canyon Fuel shall be $970,000 per month for the months of April and May, 1998 and that interest expense for such Persons for such months shall be zero. For purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ended June 30, 1998, September 30, 1998 and December 31, 1998, operating lease expense of the Borrower and its Subsidiaries, including the Appropriate Percentage of operating lease expense of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, operating lease expense of the Borrower and its Subsidiaries determined and consolidated in accordance with GAAP for such fiscal quarter, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for such fiscal quarter determined in accordance with GAAP, multiplied by (y) four (4); (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, operating lease expense of the Borrower and its Subsidiaries for the two fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for the two fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) two (2); and (iii) for the fiscal quarter ended December 31, 1998, the product of, (x) without duplication, operating lease expense of the Borrower and its Subsidiaries for the three fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for the three fiscal quarters then ended, determined in accordance with GAAP, multiplied by (y) four-thirds (4/3). For purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ended June 30, 1998, September 30, 1998 and December 31, 1998, Net Interest Expense of the Borrower and its Subsidiaries, including the

Appropriate Percentage of Net Interest Expense of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, Net Interest Expense of the Borrower and its Subsidiaries determined and consolidated in accordance with GAAP for such fiscal quarter, plus the Appropriate Percentage of Net Interest Expense of Canyon Fuel for such fiscal quarter determined in accordance with GAAP, multiplied by (y) four (4); (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, Net Interest Expense of the Borrower and its Subsidiaries for the two fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of Net Interest Expense of Canyon Fuel for the two fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) two (2); and (iii) for the fiscal quarter ended December 31, 1998, the product of, (x) without duplication, Net Interest Expense of the Borrower and its Subsidiaries for the three fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of Net Interest Expense of Canyon Fuel for the three fiscal quarters then ended, determined in accordance with GAAP, multiplied by (y) four-thirds (4/3).

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.

GUARANTORS shall mean at any time collectively each of the Significant Subsidiaries of the Borrower, other than Canyon Fuel.

GUARANTOR JOINDER shall mean a joinder by a Person as a Guarantor under the Guarantor Joinder and Assumption 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 Continuing 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.

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, (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. It is understood and agreed that Derivatives Obligations shall not be deemed to be 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.

INITIAL ANNUAL STATEMENTS AND COMPLIANCE CERTIFICATE shall mean collectively with respect to the fiscal year of the Borrower ended December 31, 1998, the annual financial statements of the Borrower and its Subsidiaries consisting of the unaudited consolidated and consolidating balance sheet as of the end of such fiscal year, related consolidated statements of income and equity and related consolidated statement of cash flows for the fiscal year then ended, together with the duly executed related compliance certificate required to be delivered to the Administrative Agent and the Banks pursuant to Section 7.3.3. It is acknowledged and agreed that the Initial Annual Statements and Compliance Certificate are to be delivered by the Borrower for purposes of calculating the Leverage Ratio as of December 31, 1998 in order to determine the Applicable Margin. Notwithstanding the delivery of the Initial Annual Statements and Compliance Certificate, the Borrower shall still be required to comply with the provisions of Section 7.3.2 and deliver the audited financial statements required thereby, together with the related Compliance Certificate required to be delivered under Section 7.3.3.

INITIAL DELIVERY DATE shall mean the date the Borrower delivers to the Administrative Agent and the Banks the Initial Annual Statements and Compliance Certificate.

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 have the meaning set forth in Section 3.2.

INTEREST RATE OPTION shall mean any Euro-Rate Option or Base Rate Option.

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.

INVESTMENT GRADE shall mean the rating of the Parent's senior unsecured long-term debt, on a consolidated basis, of BBB- or better by Standard & Poor's AND Baa3 or better by Moody's.

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.

LEVERAGE RATIO shall mean the ratio of the sum of, without duplication, Debt of the Borrower and its Subsidiaries, plus the Appropriate Percentage of Debt of each Special Subsidiary, each on a consolidated basis in accordance with GAAP (as the numerator) to EBITDDA of the Borrower and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's EBITDDA, each on a consolidated basis in accordance with GAAP (as the denominator). For purposes of calculating the Leverage Ratio, Debt shall be determined as of the end of each fiscal quarter of the Borrower and EBITDDA shall be determined as of the end of each fiscal quarter of the Borrower for the four fiscal quarters then ended.

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 AGREEMENTS shall mean collectively the Arch Western LLC Agreement, the Canyon Fuel LLC Agreement, the Mountain Coal LLC Agreement, the Arch of Wyoming LLC Agreement, the AU Sub LLC Agreement, the State Leases LLC Agreement and the Thunder Basin LLC Agreement.

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 Collateral Sharing Agreement, the Guaranty Agreement, the Pledge Agreement (Subsidiary Equity Interests), the Pledge Agreement (Investment Property), the Note Pledge Agreement, the Notes 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.

LOANS shall mean collectively and Loan shall mean separately all Term Loans or any Term Loan.

MANDATORY PREPAYMENT shall have the meaning assigned to such term in Section 4.4.4.

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 Borrower and its Subsidiaries taken as a whole, or (c) 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.

MATERIAL CONTRACTS shall mean collectively (i) the Acquisition Documents, (ii) all other contracts, agreements or other instruments described in Regulation S-K, Item 601(b)(10) promulgated pursuant to the Securities Exchange Act of 1934, as amended, which the Parent is required to file as an exhibit to any annual, quarterly or other report required to be filed by the Parent under the Securities Exchange Act of 1934, as amended, and (iii) all coal supply agreements or contracts (or related coal supply agreements or contracts) under which the Borrower or any Subsidiary of the Borrower is required, over the remaining term of such agreement or contract as of the Closing Date, to deliver one million (1,000,000) tons or more of coal.

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 Interest Period for any Loan subject to a Euro-Rate Option 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.

MOUNTAIN COAL LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of March 6, 1998, as amended, of Mountain Coal Company, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware.

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.

NET INTEREST EXPENSE shall mean, for any period of determination, for any Person, interest expense of such Person for such period determined in accordance with GAAP, if applicable, reduced by the Permitted Adjustment Amount.

NOTE PLEDGE AGREEMENT shall mean the Note Pledge Agreement substantially in the form of EXHIBIT 1.1(N) executed and delivered by the Borrower to the Administrative Agent for the benefit of the Banks.

NOTES shall mean the Term Notes.

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 Administrative Agent's Letter or any other Loan Document.

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.

PARENT shall mean Arch Coal, Inc., a corporation organized and existing under the laws of the State of Delaware.

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 ADJUSTMENT AMOUNT shall mean for any period of determination, if throughout such period either (i) the Parent's senior unsecured long-term debt, on a consolidated basis, is rated BB or better by Standard & Poor's and Ba2 or better by Moody's, or (ii) the Leverage Ratio (as defined in the Arch Credit Facility) is less than or equal to 4.0 to 1.0, the amount of interest income of the Borrower determined in accordance with GAAP with respect to the Eligible Note Receivable for such period.

PERMITTED INVESTMENTS shall mean

(i) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(ii) commercial paper maturing in 180 days or less rated not lower than A-1, by Standard & Poor's or P-1 by Moody's on the date of acquisition; and

(iii) demand deposits, time deposits or certificates of deposit maturing within one year in a commercial bank whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's on the date of determination.

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 (including bonus 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, reclamation liabilities or royalty bonds) 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 granted in the Collateral, subject to the Collateral Sharing Agreement, to any Bank providing the Interest Rate Protection Agreement required by Section 7.1.13 [Interest Rate Protection];

(vii) Liens securing Indebtedness of not more than $25,000,000 at any time;

(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 adversely affect the value of the Collateral or the first priority perfected Lien and security interest of the Administrative Agent for the benefit of the Banks in the Collateral or, 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 other than the Collateral, 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;

(ix) Liens granted in the Collateral under the Collateral Documents to the Administrative Agent for the benefit of the Banks; and

(x) Any Lien or restriction resulting from ownership, by an entity other than an Affiliate of the Borrower, of a minority interest in Canyon Fuel.

PERMITTED LOAN ORIGINATION EXPENSE shall mean the aggregate amount of all fees and expenses incurred by the Borrower in connection with the closing of the transactions under this Agreement which the Borrower is required to capitalize in accordance with GAAP.

PERMITTED REDUCTION AMOUNT shall mean the sum of:

(i) for any period of determination, if throughout such period either (i) the Parent's senior unsecured long-term debt, on a consolidated basis, is rated BB or better by Standard & Poor's and Ba2 or better by Moody's, or (ii) the Leverage Ratio (as defined in the Arch Credit Facility) is less than or equal to 4.0 to 1.0, the amount of the Average Balance of the Eligible Note Receivable for such period; and

(ii) for any period of determination, the amount of the Average Pledged Account Balance for such period.

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.

PLEDGE AGREEMENT (INVESTMENT PROPERTY) shall mean the Pledge Agreement (Investment Property) substantially in the form of EXHIBIT 1.1(P)(1) executed and delivered by the Borrower and each of its Subsidiaries to the Administrative Agent for the benefit of the Banks, as the same may be supplemented, replaced, restated or amended from time to time in accordance herewith or therewith.

PLEDGE AGREEMENT (SUBSIDIARY EQUITY INTERESTS) shall mean the Pledge Agreement (Subsidiary Equity Interests) substantially in the form of EXHIBIT 1.1(P)(2) executed and delivered by the Borrower and each of its Subsidiaries pledging equity interests which it owns in any other Subsidiary of the Borrower to the Administrative Agent for the benefit of the Banks, as the same may be supplemented, replaced, restated or amended from time to time in accordance herewith or therewith.

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

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.

PRIOR SECURITY INTEREST shall mean a valid and enforceable perfected first-priority security interest under the Uniform Commercial Code or other applicable Law in the Collateral.

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 AGREEMENT shall mean that certain Purchase and Sale Agreement among ARCO, ARCO Uinta Coal Company, a Delaware corporation, the Parent and AWAC, dated as of March 22, 1998, together with all schedules and exhibits thereto.

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 Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

RATABLE SHARE shall mean the proportion that a Bank's Commitment bears to the Commitments of all of the Banks.

RATE REQUEST shall mean a request to select, convert to or renew a Base Rate Option or Euro-Rate Option with respect to the Term Loans in accordance with Section 2.5.

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 or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

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

REQUIRED BANKS shall mean

(i) if there are no Term Loans outstanding, Banks whose Commitments aggregate at least 51% of the Commitments of all of the Banks, or

(ii) if there are Term Loans outstanding, Banks whose outstanding Term Loans aggregate at least 51% of the total principal amount of all of the Term Loans then outstanding.

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

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.

SOLVENT shall mean, with respect to any Person on a particular date, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

SPECIAL SUBSIDIARY shall mean Canyon Fuel and each other Person (i) with respect to which the ownership of equity interests thereof by the Borrower or any Subsidiary of

the Borrower is accounted for in accordance with the "equity method" in accordance with GAAP; (ii) engaged in a line of business permitted by Section 7.2.7 [Continuation of or Change in Business]; (iii) with respect to which the equity interests thereof were acquired by the Borrower or Subsidiary of the Borrower in an arms-length transaction; (iv) the operations of which the Borrower has management control over; and (v) a majority of the economic equity interests of which are owned directly or indirectly by the Borrower.

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

SUBSIDIARY of any Person at any time shall mean (i) any corporation or trust of which more than 50% (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 more than 50% 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 more than 50% 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. As of the Closing Date, the Borrower owns 65% of the member interests of Canyon Fuel. It is expressly agreed that each Special Subsidiary shall be deemed to be a Subsidiary of the Borrower for purposes of this Agreement. Nonetheless, the Appropriate Percentage of the assets, income, expenses, liabilities and other items with respect to each Special Subsidiary shall be included for purposes of calculating the Leverage Ratio and the Fixed Charge Coverage Ratio as described more fully in the definitions of "Adjusted EBITDDA," "EBITDDA," "Leverage Ratio" and "Fixed Charge Coverage Ratio."

STATE LEASES LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of April 8, 1998, as amended, of State Leases LLC, a limited liability company organized and existing under the laws of the State of Delaware.

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

SYNDICATION AGENT shall mean Morgan in its capacity as syndication agent for the Banks under this Agreement and its successors in such capacity.

SYNDICATION DATE shall mean the earlier of (i) a date after the Closing Date which is selected by the Arrangers and notice of which is given by the Arrangers to the Borrower at least five (5) Business Days prior thereto and (ii) or the 90th day following the Closing Date.

TAX SHARING AGREEMENT shall mean that certain Tax Sharing Agreement dated as June 1, 1998 by and among the Borrower, AWAC, the Parent and Delta Housing.

TERM LOAN shall have the meaning given to such term in Section 2.1; Term Loans shall mean collectively all of the Term Loans.

TERM LOAN COMMITMENT shall mean, as to any 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 Term Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement executed by such Bank, and Term Loan Commitments shall mean the aggregate Term Loan Commitments of all of the Banks.

TERM NOTES shall mean collectively and Term Note shall mean separately all of the Term Notes of the Borrower in the form of EXHIBIT 1.1(T) issued by the Borrower at the request of a Bank pursuant to Section 2.3 evidencing the Term Loans, together with all amendments, extensions, renewals, replacements, refinancings or refunds thereof in whole or in part.

THUNDER BASIN LLC AGREEMENT shall mean that certain Limited Liability Company Agreement, dated as of July 10, 1997, as amended, of Thunder Basin Coal Company, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware.

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

UNIFORM COMMERCIAL CODE shall have the meaning assigned to that term in Section 5.1.21.

U.S. shall mean the United States of America.

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 in accordance with the applicable provisions thereof and hereof;

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), as applied to the Borrower and its Subsidiaries 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. Nothing in this Section 1.3 will require the Borrower or any of its Subsidiaries to continue accounting methods used by ACC in preparing the ACC Annual Statements.

2. TERM LOAN FACILITY

2.1 TERM LOAN COMMITMENTS.

Subject to the terms and conditions hereof, and relying upon the representations and warranties herein set forth, each Bank severally agrees to make a term loan (the "Term Loan") to the Borrower on the Closing Date in such principal amount as the Borrower shall request up to, but not exceeding, such Bank's Term Loan Commitment.

2.2 NATURE OF BANKS' OBLIGATIONS WITH RESPECT TO TERM LOANS.

The obligations of each Bank to make a Term Loan to the Borrower shall be in the proportion that such Bank's Term Loan Commitment bears to the Term Loan Commitments of all Banks to the Borrower, but each Bank's Term Loan to the Borrower shall never exceed its Term Loan Commitment. The failure of any Bank to make a Term Loan shall not relieve any other Bank of its obligations to make a Term Loan nor shall it impose any additional liability on any other Bank hereunder. The Banks shall have no obligation to make Term Loans hereunder after the Closing Date. The Term Loan Commitments are not revolving credit commitments, and the Borrower shall not have the right to borrow, repay and reborrow the Term Loans.

2.3 TERM LOAN NOTES.

The Obligation of the Borrower to repay the unpaid principal amount of the Term Loan made to it by each Bank, together with interest thereon, shall be evidenced by a Term Note dated the Closing Date, payable to the order of each Bank in a face amount equal to the Term Loan of such Bank. The principal amount of each Term Note as provided therein shall be due and payable on the Expiration Date.

2.4 USE OF PROCEEDS.

The proceeds of the Term Loans shall be used to finance a portion of the Distribution and in accordance with Section 7.1.9 [Use of Proceeds].

2.5 REQUEST TO SELECT INTEREST RATE OPTIONS.

Except as otherwise provided herein, the Borrower may on the Closing Date select the initial Interest Rate Option applicable to the Term Loans and thereafter from time to time prior to the Expiration Date request the Banks to renew or convert the Interest Rate Option applicable to existing Term 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 the Term Loans on the Closing Date or the conversion to or the renewal of the Euro-Rate Option for any Term Loans, and (ii) one (1) Business Day prior to the making of the Term Loans on the Closing Date to which the Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Base Rate Option for any Term Loan, of a duly completed request therefor substantially in the form of EXHIBIT 2.5 (each a "Rate Request") or a request therefor 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 Rate Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the Term Loans comprising each Borrowing Tranche, which shall be in integral multiples of $25,000,000 and not less than $25,000,000 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 $25,000,000 or the maximum amount available for Borrowing Tranches to which the Base Rate Option applies; (iii) whether the Euro-Rate Option or Base Rate Option shall apply to the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Euro-Rate Option applies, an appropriate Interest Period for the Term Loans comprising such Borrowing Tranche.

3. INTEREST RATES

3.1 INTEREST RATE OPTIONS.

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Term Loans as selected by it from the Base Rate Option or Euro-Rate Option set forth below, 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 Term 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 Term Loans comprising any Borrowing Tranche, PROVIDED that there shall not be at any one time outstanding more than four (4) Borrowing Tranches in the aggregate among all of the Term Loans accruing interest at a Euro-Rate Option. If at any time the designated rate applicable to any Term Loan exceeds such Bank's highest lawful rate, the rate of interest on such Term Loan shall be limited to such Bank's highest lawful rate.

3.1.1 INTEREST RATE OPTIONS.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Term Loans:

(i) 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 plus the Applicable Margin, 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) 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.

Notwithstanding the foregoing, it is expressly agreed that through and including the Initial Delivery Date, the Applicable Margin shall be the amount determined in accordance with the parameters set forth in SCHEDULE 1.1(A) but shall be no less than the amount set forth on the pricing grid under Level V of PART (A) of SCHEDULE 1.1(A). It is expressly agreed that for periods after the Initial Delivery Date until such time as the Parent's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Margin shall be determined based upon PART (A) of SCHEDULE 1.1(A), and for any period thereafter when a Debt Rating is in effect the Applicable Margin shall be the amount determined under PART (B) of SCHEDULE 1.1(A).

3.1.2 RATE QUOTATIONS.

The Borrower may call the Administrative Agent on or before the date on which a Rate Request is to be delivered to receive an indication of the rates then in effect as to Term Loans, but it is acknowledged that such projection shall not be binding on the Administrative Agent or the 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 is increased or reduced with respect to any period for which the Borrower has already paid interest, the Administrative Agent shall recalculate the additional interest 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 Banks notice of such recalculation.

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

3.1.3.2 Any interest 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 Term Loans have been repaid, the Banks shall pay the Administrative Agent for the account of the Borrower such interest refund not later than five (5) Business Days after written notice from the Administrative Agent to the Banks.

3.2 INTEREST PERIODS.

At any time when the Borrower shall select, convert to or renew a 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 Rate Request. The notice shall specify an interest period (the "Interest Period") during which such Interest Rate Option shall apply, such Interest Period to be one, two, three or six Months; PROVIDED, HOWEVER, that prior to the date which is the Business Day following the Syndication Date, only such periods as the Administrative Agent and the Borrowers mutually agree, not to exceed a period of one Month, shall be available. Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a 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 Term Loans to which the Euro-Rate Option applies shall be in integral multiples of $25,000,000 and not less than $25,000,000;

3.2.3 TERMINATION BEFORE EXPIRATION DATE.

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

3.2.4 RENEWALS.

in the case of the renewal of a 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 INTEREST RATE.

the rate of interest for each Term Loan otherwise applicable pursuant to Section 3.1.1 [Interest Rate Options] 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 Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable 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 Term 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 Term Loan may be 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 Term 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 Term 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 Term Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Term Loan to which a Euro-Rate Option applies are not available to such Bank with respect to such Term 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 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 selection of, conversion to or renewal of the Base Rate Option otherwise available with respect to such Term Loans. 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 Term Loan of the Bank to which a Euro-Rate Option applies, on the date specified in such notice either convert such Term Loan to the Base Rate Option otherwise available with respect to such Term Loan or prepay such Term Loan in accordance with Section 4.4 [Prepayments]. Absent due notice from the Borrower of conversion or

prepayment, such Term Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Term 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 Term Loans under the 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 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, 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 ratable accounts of the Banks with respect to the Term 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 and such payments are not distributed to the Banks on the same day received by the Administrative Agent, the Administrative Agent shall pay the Banks 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. 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 Term Loans and other amounts owing under this Agreement and shall be deemed an "account stated."

4.2 PRO RATA TREATMENT OF BANKS.

The Term Loans shall be allocated to each Bank according to its Ratable Share, and each selection of, conversion to or renewal of any Interest Rate Option applicable to Term Loans and each payment or prepayment by the Borrower with respect to principal or interest on the Term Loans or other fees (except for the Administrative Agent's Fee) or amounts due from the Borrower hereunder to the Banks with respect to the Term Loans, shall (except as provided in Section 3.4.3 [Administrative Agent's and Bank's Rights] in the case of an event specified in Sections 3.4 [Euro-Rate Unascertainable, etc.], 4.4.2 [Replacement of a Bank] or 4.5 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Term Loans outstanding from each Bank and, if no Term Loans are then outstanding, in proportion to the Ratable Share of each Bank.

4.3 INTEREST PAYMENT DATES.

Interest on Term Loans to which the Base Rate Option 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 Term Loans. Interest on Term Loans to which the Euro-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 date that is three (3) Months after the commencement of such Interest Period (and if applicable, the date that is six (6) Months after the commencement of such Interest Period) of such Interest Period. Interest on the principal amount of the Term 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 PREPAYMENTS.

4.4.1 VOLUNTARY PREPAYMENTS.

The Borrower shall have the right at its option from time to time to prepay the Term 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 Term Loans to which the Base Rate Option applies,

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

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

Whenever the Borrower desires to prepay any part of the Term Loans, it shall provide a prepayment notice to the Administrative Agent by 1:00 p.m., Pittsburgh time, at least one (1) Business Day prior to the date of prepayment of the Term Loans, setting forth the following information:

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

(z) the total principal amount of such prepayment, which shall not be less than $10,000,000 and in increments of $1,000,000 above $10,000,000.

All prepayment notices shall be irrevocable. The principal amount of the Term Loans for which a prepayment notice is given, together with interest on such principal amount, 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. All Term Loan prepayments permitted by this

Section 4.4.1 shall be applied to the unpaid principal of the Term Loans. Except as provided in Section 3.4.3 [Administrative Agent's and Bank's Rights], if the Borrower prepays the Term Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied (i) first to Term Loans to which the Base Rate Option applies, and (ii) then to Term Loans to which the Euro-Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 4.5.2 [Indemnity].

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.], or (ii) 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 (except that during any period when an Event of Default exists and is continuing, the Administrative Agent may withhold such consent in its sole discretion), to prepay the Term Loans of such Bank in whole, together with all interest accrued thereon, and terminate such Bank's Commitment within ninety (90) days after (y) receipt of such Bank's notice under Section 3.4 [Euro-Rate Unascertainable, etc.] or 4.5.1 [Increased Costs, etc.], 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] (except that the Borrower shall not be required to indemnify such Lender for liabilities, losses or expenses under Section 4.5.2(i) sustained by such Bank as a consequence of the prepayment of the Loans of such Bank in accordance with this Section 4.4.2 on a day other than the last day of an Interest Period with respect to Term Loans to which a Euro-Rate Option applies if the Term Loans of such Lender are being prepaid because such Lender has determined that the making, maintenance or funding of such Loans by such Lender under the Euro-Rate Option has been made unlawful or because such Lender has become subject to the control of an Official Body) and any accrued interest due on such amount and any related fees; PROVIDED, HOWEVER, that the Commitment and any Term Loan of such Bank shall be provided by one or more of the remaining Banks or a replacement bank acceptable to the Administrative Agent. Notwithstanding the foregoing, the Administrative Agent may only be replaced subject to the requirements of Section 9.14 [Successor Agents]

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 Term Loans 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, in such Bank's good faith determination, 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.

4.5 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 or the Term Loans or payments by the Borrower of principal, interest 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 Term 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 Term Loans subject to a Euro-Rate Option) which such Bank sustains or incurs as a consequence of any

(i) payment, prepayment, conversion or renewal of the Term Loans to which a Euro-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 Rate Requests under Section 2.5 [Request to Select Interest Rate Options] or Section 3.2 [Interest Periods] or notice relating to prepayments under Section 4.4 [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 Term Loans or any other amount due hereunder.

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 Term Loans made by such Bank may be evidenced by a Term Note in the form of EXHIBIT 1.1(T).

4.7 TAXES.

4.7.1 NO DEDUCTIONS.

All payments made by the Borrower hereunder shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all liabilities with respect thereto, excluding taxes imposed on the net income of the Banks and all income and franchise taxes of the United States applicable to the Banks (all such non-excluded taxes, levies, imposts deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable under the Credit Agreement, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this subsection), the Administrative Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant tax authority or other authority in accordance with applicable law.

4.7.2 STAMP TAXES.

In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies which arise from any payment made hereunder or from the execution, delivery, or registration or otherwise with respect to, the Credit Agreement (hereinafter referred to as "Other Taxes").

4.7.3 INDEMNIFICATION FOR TAXES PAID BY BANKS.

The Borrower shall indemnify the Banks for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this subsection) paid by such Bank and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Bank makes written demand therefor.

4.7.4 CERTIFICATE.

Within 30 days after the date of any payment of any Taxes by the Borrower, the Borrower shall furnish to the Administrative Agent for the benefit of the Banks the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment by the Borrower, the Borrower shall, if so requested by any Bank, provide a certificate of an officer of the Borrower to that effect.

4.7.5 SURVIVAL.

Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in subsections 4.7.1 through 4.7.4 shall survive the payment in full of principal and interest under any promissory note made by Borrower to any Bank under the Credit Agreement.

4.7.6 REFUND AND CONTEST.

If the Borrower determines in good faith that a reasonable basis exists for contesting any Taxes or Other Taxes with respect to which the Borrower was required to take the actions specified in the second sentence of subsection 4.7.1, the relevant Bank (to the extent such Bank reasonably determines in good faith that it will not suffer any adverse effect as a result thereof) shall cooperate with the Borrower in challenging the imposition of such Taxes or Other Taxes at the Borrower's expense if so requested by the Borrower in writing. If such Bank receives a refund of Taxes or Other Taxes for which the payment has been made by the Borrower pursuant to this Agreement, which refund in the good faith judgment of such Bank is attributable to the Borrower, then such Bank shall reimburse the Borrower for such amount as such Bank determines to be the proportion of the refund as will leave it, after such reimbursement, in no better or worse position than it would have been in if the payment had not been required. No Bank nor any Agent shall be obliged to disclose information regarding its tax affairs or

computations to Borrower in connection with this Section 4.7.6 or any other provision of Section 4.7.

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 and where the failure to so qualify could reasonably be expected to result in a Material Adverse Change.

5.1.2 LLC INTERESTS OF BORROWER; SUBSIDIARIES; AND SUBSIDIARY SHARES.

SCHEDULE 5.1.2 states the name of each of the Borrower's Subsidiaries, its jurisdiction of organization, 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 organization of the Borrower, its outstanding limited liability company interests, interests assigned to managers thereof and the voting rights associated therewith (the "Borrower LLC Interests"). 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, other than liens in favor of the Administrative Agent for the benefit of the Banks under the Loan Documents. AWAC has good and marketable title to all of the Borrower LLC Interests it purports to own, free and clear in each case of any Lien. All Borrower LLC Interests, Subsidiary Shares, Partnership Interests and LLC Interests have been validly issued, and all 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, LLC Interests and Borrower 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 LLC Interests, Subsidiary Shares, Partnership Interests or LLC Interests except as indicated on SCHEDULE 5.1.2.

5.1.3 POWER AND AUTHORITY.

(a) 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. The Borrower and each Subsidiary of the Borrower party to the Acquisition Documents has full power to enter into, execute, deliver and perform the Acquisition Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its respective part.

(b) To the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, each member of the ACC Group has full power to enter into, execute, deliver and perform the Acquisition Documents to which it is a party and all such actions have been duly authorized by all necessary proceedings on its respective part.

5.1.4 VALIDITY AND BINDING EFFECT.

(a) 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 Acquisition Documents have been duly and validly executed and delivered by the Borrower and each Subsidiary of the Borrower party thereto. On the Closing Date the Acquisition Transactions shall be consummated in accordance with the terms of the Acquisition Documents. The Acquisition Documents constitute the legal, valid and binding obligation of the Borrower and each Subsidiary of the Borrower party thereto, enforceable against each such Person in accordance with the terms thereof, except to the extent that enforceability of the Acquisition Documents 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. A complete copy of the Acquisition Documents has been delivered to the Administrative Agent.

(b) To the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, each of the Acquisition Documents has been duly and validly executed and delivered by each member of the ACC Group party thereto. To the knowledge of the Borrower on the Closing Date, based

on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, each Acquisition Document constitutes the legal, valid and binding obligation of each member of the ACC Group party thereto, enforceable against each such member of the ACC Group in accordance with the terms thereof, except to the extent that enforceability of the Acquisition Documents 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.

(a) Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party or the Acquisition Documents by the Borrower or any Subsidiary of the Borrower 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 Acquisition Documents, of the Borrower or any Subsidiary of the Borrower party thereto or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which the Borrower or any Subsidiary of the Borrower party to the Acquisition Documents, 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 the Borrower or any Subsidiary of the Borrower party to the Acquisition Documents or of any Loan Party or any Subsidiary of any Loan Party (other than Liens granted under the Loan Documents).

(b) To the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, neither the execution and delivery of the Acquisition Documents by any member of the ACC Group, nor the consummation of the transactions therein contemplated or compliance with the terms and provisions 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 such Person or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any such Person 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 such Person.

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 a Material Adverse Change. None of the Loan Parties or any Subsidiary 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 a Material Adverse Change.

5.1.7 FINANCIAL STATEMENTS.

(i) ACC HISTORICAL STATEMENTS. The Borrower has delivered to the Administrative Agent copies of the audited consolidated year-end balance sheet for ACC as of the end of the fiscal years ended December 31, 1996 and December 31, 1997 and copies of the audited consolidated statements of income, of equity investment and of cash flow for each of the three years in the period ended December 31, 1997 (collectively, the "ACC Annual Statements"). To the knowledge of the Borrower based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, the ACC Annual Statements were compiled from the books and records maintained by ACC's management, are correct and complete and fairly represent the consolidated financial condition of ACC 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.

(ii) ACCURACY OF FINANCIAL STATEMENTS. To the knowledge of the Borrower based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, ACC has no liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the ACC Annual Statements or in the notes thereto, and there are no unrealized or anticipated losses from any commitments of ACC which could reasonably be expected to result in a Material Adverse Change. Since December 31, 1997, no Material Adverse Change has occurred.

(iii) FINANCIAL PROJECTIONS. The Borrower has delivered to the Agents financial projections of the Borrower and its Subsidiaries for the period January 1, 1998 through and including December 31, 2002 derived from various assumptions of the Borrower's management (the "Financial Projections"). The Financial Projections represent a reasonable range of possible results in light of the ACC Annual Statements, the historical performance of Arch of Wyoming LLC, present and foreseeable conditions and the intentions of the Borrower's management. The Financial Projections accurately reflect, in all material respects on a consolidated basis, the liabilities of the Borrower and its Subsidiaries upon consummation of the Acquisition Transactions and of the transactions contemplated hereby as of the Closing Date.

5.1.8 USE OF PROCEEDS; MARGIN STOCK.

5.1.8.1 GENERAL.

The Loan Parties shall use the proceeds of the Loans in accordance with Sections 2.4 and 7.1.9.

5.1.8.2 MARGIN STOCK.

None of the Loan Parties nor any Subsidiary 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.

5.1.9 FULL DISCLOSURE.

Neither this Agreement nor any other Loan Document, nor the Acquisition Documents, nor any certificate, statement, agreement or other documents furnished to the Administrative Agent or any Bank in connection herewith or therewith, contains with respect to the Borrower and its Subsidiaries, and to the knowledge of the Borrower with respect to the ACC Group on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, 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 the Borrower and its Subsidiaries taken as a whole 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 material 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 Acquisition Transactions in accordance with the Acquisition 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 AND MATERIAL CONTRACTS.

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 Subsidiary 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 could reasonably be expected to result in a Material Adverse Change. All Material Contracts described in clauses (ii) or (iii) of the definition of "Material Contracts" to which any Loan Party or any Subsidiary of any Loan Party is a party or by which any Loan Party or Subsidiary of any Loan Party is bound are valid, binding and enforceable upon such Loan Party or Subsidiary and to the best knowledge of the Borrower upon each of the other parties thereto in accordance with their respective terms and there is no default by any Loan Party or any Subsidiary of any Loan Party under any Material Contract nor, to the Loan Parties' knowledge, any default thereunder with respect to parties thereto other than any Loan Party or Subsidiary of a Loan Party except in each case to the extent the same could not reasonably be expected to result in a Material Adverse Change. None of the Loan Parties or their Subsidiaries is bound by any contractual obligation, or subject to any restriction in any organization document, or any requirement of Law which could reasonably be expected to result in 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 insurance policies or bonds to which the Loan Parties are subject or to reduce the coverage provided thereby. The Loan Parties are subject to insurance policies and bonds providing 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 could not reasonably be expected to result in 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 Subsidiary 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 could reasonably be expected to result in 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 could reasonably be expected to result in 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.

5.1.20 TITLE TO PROPERTIES.

Each Loan Party and each Subsidiary of each Loan Party has good and marketable title to or valid leasehold interest in all material properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens, and subject to the terms and conditions of the applicable leases. On the Closing Date, the Borrower, in accordance with the Purchase Agreement and the Contribution Agreement, shall have received as a contribution to its capital such assets as are necessary for the operation of the Business, including, without limitation, all material assets set forth in the ACC Balance Sheet (other than assets permitted to otherwise be sold or transferred by ACC in accordance with the Purchase Agreement or Contribution Agreement prior to the Closing Date and other than those assets which, in accordance with the Purchase Agreement or Contribution Agreement, are not to be transferred by ACC to the Borrower).

5.1.21 SECURITY INTERESTS.

The Liens and security interests granted to the Administrative Agent for the benefit of the Banks pursuant to the Collateral Documents constitute and will continue to constitute Prior Security Interests under the Uniform Commercial Code as in effect in each applicable jurisdiction (the "Uniform Commercial Code") or other applicable Law, entitled to all the rights, benefits and priorities provided by the Uniform Commercial Code or such Law. Upon the filing of financing statements relating to said security interests in each office and, in each jurisdiction where required in order to perfect the security interests described above, taking possession of any certificates or instruments evidencing the Collateral, all such action as is necessary or advisable to establish such rights of the Administrative Agent will have been taken, and there will be, upon execution and delivery of the Collateral Documents, such filings and such taking of possession, no necessity for any further action in order to preserve, protect and continue such rights, except the filing of continuation statements with respect to such financing statements within six months prior to each five-year anniversary of the filing of such financing statements. All filing fees and other expenses in connection with each such action have been or will be paid by the Borrower.

5.1.22 STATUS OF THE PLEDGED COLLATERAL.

All the Subsidiary Shares, Partnership Interests or LLC Interests included in the Collateral to be pledged pursuant to the Pledge Agreement (Subsidiary Equity Interests) are or will be upon issuance validly issued and nonassessable and owned beneficially and of record by the pledgor free and clear of any Lien or restriction on transfer, except as otherwise provided by the Pledge Agreement (Subsidiary Equity Interests) and except as the right of the Banks to dispose of the Subsidiary Shares, Partnership Interests or LLC Interests may be limited by the Securities Act of 1933, as amended, and the regulations promulgated by the SEC thereunder and by applicable state securities laws and the Canyon Fuel LLC Agreement. There are no shareholder, partnership, limited liability company or other agreements or understandings with respect to the Subsidiary Shares, Partnership Interests or LLC Interests included in the

Collateral except for the partnership agreements and limited liability company agreements described on SCHEDULE 5.1.22. The Loan Parties have delivered true and correct copies of such partnership agreements and limited liability company agreements to the Administrative Agent.

5.1.23 BLACK LUNG.

As of the Closing Date, to the knowledge of the Borrower on the Closing Date, based on representations made to it by or on behalf of the ACC Group in the Acquisition Documents, the ACC Annual Statements contain reasonably adequate reserves in accordance with GAAP for the black lung liability of ACC.

5.1.24 COASTAL AGREEMENT.

Canyon Fuel is a "Buyer Indemnitee" under the Coastal Agreement and, as such, has the rights of an "Indemnified Party" under the Coastal Agreement. Consummation of the Acquisition Transactions will not alter the rights of Canyon Fuel under the Coastal Agreement.

5.2 CONTINUATION OF REPRESENTATIONS.

Except as to those representations and warranties limited by their terms to the Closing Date, the Borrower makes the representations and warranties in this Section 5 on the date hereof, on the Closing Date and on the Syndication Date as provided in and subject to Section 6.2.

6. CONDITIONS OF LENDING

The obligation of each Bank to make the Term Loans hereunder is subject to the performance by the Borrower of its Obligations to be performed hereunder at or prior to the making of the Term Loans and to the satisfaction of the following further conditions:

6.1 CONDITIONS TO CLOSING.

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 Acquisition Transactions and the making of the Distribution) 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, Chief Financial Officer, other authorized officer or Managing Member 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) a copy of each Loan Party's organizational documents, including its certificate of incorporation and bylaws, certificate of limited partnership and partnership agreement, or limited liability company certificate and agreement, as the case may be, as in effect on the Closing Date and, in the case of the certificate of incorporation, limited partnership certificate or limited liability company certificate, 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 each Loan Party in the state of its formation and each jurisdiction where it conducts business.

6.1.3 DELIVERY OF LOAN DOCUMENTS; FILING RECEIPTS.

This Agreement, the Guaranty Agreement, the Collateral Sharing Agreement, the Collateral Documents and the other Loan Documents shall have been duly executed and delivered to the Administrative Agent for the benefit of the Banks, together with all appropriate financing statements and appropriate stock powers and certificates evidencing the Subsidiary Shares, the Partnership Interests and the LLC Interests, and all other instruments and Collateral required to be delivered to the Administrative Agent for the benefit of the Banks under the Collateral Documents. The Administrative Agent shall have received copies of all filing receipts and acknowledgments issued by any governmental authority to evidence any recordation or filing necessary to perfect the Lien of the Banks on the Collateral or other satisfactory evidence of such recordation and filing.

6.1.4 OPINION OF COUNSEL.

There shall be delivered to the Administrative Agent for the benefit of each Bank a written opinion of Kirkpatrick & Lockhart LLP and of Jeffry Quinn, 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:

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

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

There shall also be delivered to the Administrative Agent a copy of the opinion of John R. Lucas, Associate Counsel to ARCO, in connection with the Acquisition Transactions.

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 by the Acquisition 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 Arrangers all fees required to be paid by the Borrower to the Arrangers, and all other commitment and other fees accrued through the Closing Date and the costs and expenses for which the Arrangers 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 Acquisition Documents shall have been obtained.

6.1.8 OFFICER'S CERTIFICATE REGARDING NO MATERIAL ADVERSE CHANGE.

Since December 31, 1997, to the Borrower's knowledge, no event shall have occurred with respect to ACC which could reasonably be expected to result in a Material Adverse Change; since December 31, 1997, there shall have been no material change in the management of the Borrower; and there shall have been delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date, in form and substance satisfactory to the Agents, and signed by the President, other executive financial officer or Managing Member of the Borrower to each such effect and further certifying that the Borrower

and its Subsidiaries on a consolidated basis are Solvent, the accuracy of all representations and warranties by the Loan Parties under the Loan Documents, the compliance with all covenants under the Loan Documents and the absence of any Event of Default or Potential Default, with all certifications after giving effect to the Acquisition Transactions and the making of the Distribution.

6.1.9 NO VIOLATION OF LAWS.

The making of the Loans, the making of the Distribution and the consummation of the Acquisition Transactions and of the transactions contemplated by the Acquisition Documents and the Contribution Agreement 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 Acquisition Transactions, the Acquisition Documents and the Contribution Agreement 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 or which in the good faith judgment of the Agents could adversely affect the syndication of the Loans.

6.1.11 ACQUISITION.

Any material change to the Contribution Agreement or the Purchase Agreement, and any changes to the forms of the Tax Sharing Agreement or the LLC Agreements delivered to the Arrangers at or about the time of execution of the Purchase Agreement shall be reasonably satisfactory to the Arrangers. The amount of and the terms of payment of the Distribution shall be not greater than $700,000,000. All conditions to closing under the Acquisition Documents shall have been satisfied or waived to the satisfaction of the Agents. The Acquisition Transactions shall have been consummated in accordance with the terms of the Acquisition Documents, and an Authorized Officer of the Borrower shall certify the foregoing to the Administrative Agent for the benefit of each Bank.

6.1.12 BORROWER CAPITAL AND FINANCING.

Contributions to the equity of the Borrower shall have been consummated on terms and conditions and in the amounts required by the Acquisition Documents.

6.1.13 INSURANCE.

The Borrower shall have delivered to the Agents evidence of the insurance required under the Loan Documents.

6.1.14 REPORT OF INDEPENDENT ENGINEER.

The report of Weir International, independent engineers, shall have been provided to the Agents with respect to the coal reserves, coal supply contracts, mining conditions and related matters for the properties to be acquired by or contributed to Borrower as part of the Acquisition Transactions, and such report shall be satisfactory in form, substance and scope to the Agents.

6.1.15 CREDIT FACILITY FOR THE PARENT.

All conditions to closing shall have been satisfied under the Arch Credit Facility.

6.1.16 SATISFACTORY ENVIRONMENTAL REVIEW.

The Loan Parties shall cause to be performed and completed an environmental audit with respect to the owned and leased real property of the Loan Parties (collectively, the "Reviewed Property") by consultants satisfactory to the Agents and shall provide all reports and results of such audit in writing to the Agents. Such reports shall meet the Agents' minimum requirements for phase I environmental assessments and any other requirements of the Agents. The environmental condition of the Loan Parties' and their Subsidiaries' assets, as substantiated by such audit, shall be satisfactory to the Agents in all respects. On the Closing Date the appropriate officers of the applicable Loan Parties shall have delivered to the Agents in form and substance satisfactory to the Agents a certificate to the effect that the Loan Parties have made known to the Agents all information known to them and their Subsidiaries concerning Environmental Conditions and Environmental Complaints and the Loan Parties' and their Subsidiaries' compliance with the Environmental Laws relating to any of the Reviewed Property and any other site for which any Loan Party or Subsidiary of a Loan Party has received notice that it is potentially responsible for Environmental Conditions.

6.1.17 NON-OCCURRENCE OF CERTAIN EVENTS.

No disruption or change in the financial, banking or capital markets shall have occurred or shall be pending which, in the good faith judgment of the Agents, could adversely affect the syndication of the Loans.

6.1.18 DELTA HOUSING GUARANTY.

An original, executed counterpart of the Delta Housing Guaranty shall have been delivered to the Administrative Agent.

6.2 SYNDICATION.

6.2.1 SYNDICATION DATE REPRESENTATIONS AND WARRANTIES.

(a) On the Syndication Date, the representations and warranties of the Borrower contained in Section 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 (i) an Officer's Certificate dated as of the Syndication Date with respect to the matters set forth in Sections 6.2.1(a), (ii) 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, (iii) Term Notes dated as of the Syndication Date which give effect to the syndication on the Syndication Date of the Commitments of the Banks which originally executed the Credit Agreement in exchange for the original Term Notes issued to such Banks, (iv) 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 (v) acknowledgments dated as of the Syndication Date to the Loan Documents in form and substance satisfactory to the Administrative Agent.

6.2.2 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. The Borrower agrees that it will cooperate with the Agents in syndicating the Term Loans, including, without limitation, by consenting to reasonable amendments to this Agreement (other than changes in pricing) and the other Loan Documents which may be required by potential syndicate members.

7. COVENANTS

7.1 AFFIRMATIVE COVENANTS.

The Borrower covenants and agrees that until payment in full of the Term Loans and interest thereon, 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 maintain its legal existence as a limited liability company. The Borrower shall maintain 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 where the failure to so qualify or maintain such qualification could be corrected without a material adverse effect on the Borrower. The

Borrower shall cause each of its Subsidiaries to maintain its legal existence as a corporation, limited partnership or limited liability company, as the case may be except as otherwise expressly permitted in Section 7.2.3 [Liquidations, Mergers, etc.]. The Borrower shall cause each of its Subsidiaries to maintain 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 where the failure to so qualify could not reasonably be expected to result in a Material Adverse Change.

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 after becoming due, 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 and with respect to which there are proper reserves as required by GAAP, but only to the extent that failure to discharge any such liabilities would not adversely affect the value of the Collateral.

7.1.3 MAINTENANCE OF INSURANCE.

The Borrower shall, and shall cause each of its Subsidiaries to, be subject to insurance policies which insure their respective 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 material 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 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 Banks

may reasonably request, PROVIDED that each Bank shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection. In the event any Bank desires to conduct an audit of the Borrower or any Subsidiary of the Borrower, such 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, could not reasonably be expected to 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 could reasonably be expected to result in 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 result in a Material Adverse Change.

7.1.9 USE OF PROCEEDS.

The Borrower will use the proceeds of the Loans only to finance the making of a portion of the Distribution. The Borrower's use of 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 MAINTENANCE OF MATERIAL CONTRACTS.

The Borrower shall, and shall cause each of its Subsidiaries to, comply with the provisions of and to maintain in full force and effect all licenses and permits required for the lawful operation of the Borrower and each of its Subsidiaries and all Material Contracts to which any such Person is a party, except where the failure to so maintain in full force and effect a license, permit or Material Contract could not be reasonably expected to result in a Material Adverse Change.

7.1.12 FURTHER ASSURANCES.

Each Loan Party shall, from time to time, at its expense, faithfully preserve and protect the Administrative Agent's Lien on and Prior Security Interest in the Collateral as a continuing first priority perfected Lien and shall do such other acts and things as the Administrative Agent in its sole discretion may deem necessary or advisable from time to time in order to preserve, perfect and protect the Liens granted under the Loan Documents and to exercise and enforce its rights and remedies thereunder with respect to the Collateral.

7.1.13 INTEREST RATE PROTECTION.

The Borrower shall have entered into, within ninety (90) days following the Closing Date, interest rate protection agreements with financial institutions acceptable to the Administrative Agent (it being understood that any Bank will be acceptable to the Administrative Agent) for a period of at least three (3) years (y) priced with a strike price not to exceed two percent (2%) over the rate of interest otherwise applicable to the Term Loans as of the Closing Date, and (z) in an amount equal to at least 50% of the Term Loans funded on the Closing Date (the "Interest Rate Protection Agreement"). Documentation for the Interest Rate Protection Agreement shall be in a standard International Swap Dealer Association Agreement, shall provide for the method of calculating the reimbursable amount of the provider's credit exposure in a reasonable and customary manner, and shall not require that any collateral, other than Collateral pledged to the Administrative Agent for the benefit of the Banks, be provided as security for such agreement.

7.2 NEGATIVE COVENANTS.

The Borrower covenants and agrees that until payment in full of the Term Loans and interest thereon, 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;

(ii) unsecured Indebtedness of the Borrower payable to the Parent;

(iii) other Indebtedness, not to exceed in the aggregate at any time outstanding for the Borrower and its Subsidiaries, $25,000,000; and

(iv) Indebtedness of any Subsidiary of the Borrower payable to the Borrower.

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 respective property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens.

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 (except for Canyon Fuel);

(2) any Loan Party may acquire, whether by purchase or by merger, (A) all of the ownership interests of another Person, (B) substantially all of assets of another Person or of a business or division of another Person, or (C) any additional ownership interest in Canyon Fuel (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; and

(iv) the Borrower and its Subsidiaries shall be in compliance with the covenants contained in Sections 7.2.10 [Maximum Leverage Ratio], 7.2.11 [Minimum Fixed Charge Coverage Ratio], and 7.2.12 [Minimum Net Worth] 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 as if such Indebtedness were incurred as of the first day of the applicable period of determination).

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, 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 or equipment in the ordinary course of business;

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

(iii) any sale of assets if and to the extent the Net Cash Proceeds thereof are applied within 90 days of the consummation of such sale to the purchase by the Borrower or a Subsidiary of substitute assets; PROVIDED that the Borrower shall have delivered to the Administrative Agent a certificate (a "Replacement Sales Certificate") of the chief financial officer or the treasurer of the Borrower, certifying as to (x) the amount of such Net Cash Proceeds and (y) the fact that the Borrower or a Subsidiary shall invest such Net Cash Proceeds in substitute assets within 90 days after the date of consummation of such sale;

(iv) any other sale, transfer or lease of assets so long as after giving effect thereto the Borrower and its Subsidiaries shall be in compliance with the covenants contained in Sections 7.2.10 [Maximum Leverage Ratio], 7.2.11 [Minimum Fixed Charge Coverage Ratio] and 7.2.12 [Minimum Net Worth] determined on a pro forma basis, and prior to consummating any such sale, transfer or lease of assets, the Borrower shall have provided written notice thereof to the Administrative Agent together with a certification of the Borrower of the compliance of the Borrower and its Subsidiaries with such covenants, setting forth in such certification a detailed calculation of such pro forma compliance; or

(v) any sale, transfer, lease or other disposition of assets in the ordinary course of business which are obsolete or are no longer necessary or required in the conduct of such Loan Party's or such Subsidiary's business.

Notwithstanding the provisions of this Section 7.2.4, it is expressly agreed that 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 the properties or assets, tangible or intangible, or any of the limited liability interests of Thunder Basin Coal Company LLC, a Delaware limited liability company, other than transactions permitted by clauses (i), (iii) or (v) above.

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) with any Affiliate of the Borrower 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 (other than Canyon Fuel) which has joined the Guaranty Agreement as Guarantor on the Closing Date; (ii) 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 whose equity interests are pledged to the Administrative Agent for the benefit of the Banks in accordance with Section 10.18; and (iii) 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] and shall cause each owner of the equity interests thereof to pledge such equity interests to the Administrative Agent for the benefit of the Banks in accordance with Section 10.18. Except as shown on SCHEDULE 7.2.6, neither the Borrower nor any Subsidiary of the Borrower shall become or agree to become (1) 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 (2) 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 transactions contemplated by the Contribution Agreement 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 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 or other distributions (whether in cash, securities, property or otherwise), the incurrence of Indebtedness by the Borrower or any Subsidiary of the Borrower which is payable to Parent or the making of any loan to the Parent by the Borrower or any Subsidiary of the Borrower other than this Agreement, the restrictions applicable to Canyon Fuel set forth in the Canyon Fuel LLC Agreement and the restrictions applicable to the Borrower set forth in the Arch Western LLC Agreement.

7.2.10 MAXIMUM LEVERAGE RATIO.

The Borrower shall not at any time permit the Leverage Ratio to exceed the ratio set forth below for the periods specified below:

PERIOD	RATIO
Closing Date through and including December 31, 1998	5.50 TO 1.00
January 1, 1999 through and including December 31, 1999	5.25 TO 1.00
January 1, 2000 through and including December 31, 2000	4.50 TO 1.00
January 1, 2001 through and including December 31, 2001	3.50 TO 1.00
January 1, 2002 and thereafter	3.00 TO 1.00

7.2.11 MINIMUM FIXED CHARGE COVERAGE RATIO.

The Borrower shall not permit the Fixed Charge Coverage Ratio to be less than the ratio specified below for the periods specified below:

PERIOD	RATIO
Closing Date through and including December 31, 1998	2.00 TO 1.00
January 1, 1999 through and including December 31, 1999	2.25 TO 1.00
January 1, 2000 through and including December 31, 2000	2.75 TO 1.00
January 1, 2001 through and including December 31, 2001	3.50 TO 1.00
January 1, 2002 and thereafter	4.50 TO 1.00

7.2.12 MINIMUM NET WORTH.

The Borrower shall not at any time permit Consolidated Tangible Net Worth to be less than the Base Net Worth.

7.2.13 LOANS AND INVESTMENTS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds (other than, in the ordinary course of business, royalty bonds or bonds securing performance by the Borrower or a Subsidiary of the Borrower under bonus bids), notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other Investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) Permitted Investments;

(iii) loans to the Parent so long as any such loan is evidenced by the Eligible Note Receivable which is pledged to the Administrative Agent for the benefit of the Banks pursuant to the Note Pledge Agreement; and

(iv) the investment by the Borrower in its Subsidiaries.

7.2.14 NO AMENDMENTS TO ACQUISITION DOCUMENTS.

The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any amendment or modification to or waiver or consent under (or solicit any such amendment, modification, waiver or consent) any of the Acquisition Documents or the Coastal Agreement which could reasonably be expected to be material and adverse to the Banks without the prior written consent of the Agents.

7.2.15 LIMITATION ON CAPITAL EXPENDITURES.

The Borrower shall not, and shall not permit any of its Subsidiaries to, make any payments exceeding $150,000,000 in the aggregate in any fiscal year on account of the purchase or lease of any assets which if purchased would constitute fixed assets or which if leased would constitute a capitalized lease.

7.3 REPORTING REQUIREMENTS.

The Borrower covenants and agrees that until payment in full of the Loans and interest thereon, 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 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 and its SUBSIDIARIES consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter, related consolidated and consolidating statements of income and equity, and related consolidated statement of 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, Treasurer 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.

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 and its Subsidiaries consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, related consolidated and consolidating statements of income and equity, and related consolidated statement of 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 with respect to the consolidated financial statements 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.

7.3.3 CERTIFICATE OF THE BORROWER.

Concurrently with the financial statements of the Borrower furnished to the Administrative Agent and to the 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, Treasurer 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 could reasonably be expected to result in a Material Adverse Change or (z) adversely affect the value of the Collateral.

7.3.6 NOTICE OF CHANGE IN DEBT RATING.

Within five (5) Business Days after Standard & Poor's or Moody's announces a change in the Parent'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.

7.3.8 OTHER INFORMATION.

Promptly following request therefor, such other information as any Agent or Bank may reasonably request.

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) when such principal is due hereunder or (ii) any interest on any Loan, 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.

(a) Any representation or warranty made by the Borrower in Sections 5.1.3(b), 5.1.4(b), 5.1.5(b), or 5.1.7(i) or (ii) or, with respect to the ACC Group, in Section 5.1.9 hereof, shall prove to have been false or misleading as of the time it was made by the Borrower without giving effect to the qualification in each such Section that the Borrower was making such representation or warranty "to the knowledge of the Borrower", to an extent that could reasonably be expected to result in a Material Adverse Change;

(b) Any other 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], Section 7.2 [Negative Covenants], or Section 7.3.4 [Notice of Default];

8.1.4 BREACH OF OTHER COVENANTS.

(a) Any of the Loan Parties shall fail to timely perform the covenants set forth in Sections 7.3.1, 7.3.2 or 7.3.3 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;

(b) 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 or any Derivatives Obligations 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 (or with the giving of notice or the passage of time or both would permit or cause) 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 or any Subsidiary of 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 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 any Loan 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 tax or debt 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.

The Borrower and its Subsidiaries, taken as a whole, cease to be Solvent;

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.

Any of the following shall occur: (i) Parent shall cease to own, directly or indirectly, at least ninety-nine percent (99%) of all issued and outstanding member interests in the Borrower, (ii) 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 Parent; or (iii) within a period of twelve (12) consecutive calendar months, individuals who were directors of the Parent on the first day of such period shall cease to constitute a majority of the board of directors of the Parent;

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 the Parent, any Loan Party or Significant 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 the Parent, any Loan Party or Significant 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.

The Parent, any Loan Party or Significant 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 Loans, 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, and (ii) declare the unpaid principal amount of the Term Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the 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 Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived; 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 obligation to make Loans hereunder 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 Collateral, 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 the Term 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 Term 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 any sale or

other disposition of the Collateral, or any part thereof, or 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 realizing on the Collateral or collection of any Obligations of any of the Loan Parties under any of the Loan Documents, including advances for taxes, insurance, repairs and the like and reasonable expenses incurred to sell or otherwise realize on, or prepare for sale or other realization on, any of the Collateral;

(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.

8.2.7 NOTICE OF SALE.

Any notice required to be given by the Administrative Agent of a sale, lease, or other disposition of the Collateral or any other intended action by the Administrative Agent, if given ten (10) days prior to such proposed action, shall constitute commercially reasonable and fair notice thereof to the Borrower.

9. THE AGENTS

9.1 APPOINTMENT.

Each Bank hereby 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] 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. It is acknowledged and agreed that NationsBank, N.A. has received the title of Documentation Agent under this Agreement, however, such designation is solely to give NationsBank, N.A. such title and NationsBank, N.A. has no duties, responsibilities, functions, obligations or liabilities implied or otherwise under the Loan Documents solely as a result of being so designated as Documentation Agent.

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 waives, releases and agrees 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, reasonable costs, expenses or disbursements, including attorneys' fees and disbursements, 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 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 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 Banks of each change in the Base Rate and the effective date thereof.

9.11 BANKS IN THEIR INDIVIDUAL CAPACITIES.

With respect to its Commitment and the Term Loans made by it and any other rights and powers given to it as a 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 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 "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, each other Agent 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 Sections 3.4.3 [Administrative Agent's 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 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 Banks a successor to such Agent or Administrative Agent, as the case may be, for the Banks, subject to the consent of the Borrower, such consent not to be unreasonably withheld, provided that, no consent of the Borrower shall be required during any period when an Event of Default exists and is continuing, 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 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, provided that, no consent of the Borrower shall be required during any period when an Event of Default exists and is continuing, a successor who shall be a Bank 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 "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 COMMITMENTS; EXTENSION OF EXPIRATION DATE.

Increase the amount of the Term Loan 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 or any fee payable to any Bank, or reduce the principal amount of or the rate of interest borne by any Loan or reduce the rate of any fee payable to any Bank;

10.1.3 RELEASE OF COLLATERAL OR GUARANTOR.

Release any Collateral or 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, 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 Bank; or

10.1.4 MISCELLANEOUS

Amend Sections 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, or change any requirement providing for the Banks, the Required Banks or all the 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 as such shall be effective without the written consent of such Agent and 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.

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 use 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. 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.

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 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 hereunder and until termination of the Commitments and payment in full of the Loans. 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 the Banks] and 10.3 [Reimbursement and Indemnification of Banks by the Borrower, etc.], shall survive payment in full of the Loans 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 Banks.

10.11.2 ASSIGNMENTS AND PARTICIPATIONS BY BANKS.

This Section shall apply to any assignment or participation by a Bank of its Loans or Commitments. Each Bank may, at its own cost, make assignments of all or any part of its Commitment and Term Loans 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) 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 $5,000,000 unless such assignment is an assignment of all of a Bank's Commitment or Term Loans. Each Bank may, at its own cost, grant participations in all or any part of its Commitment and Term Loans made by it 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 Term Loan 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 Bank hereunder, the Commitments in Section 2.1 shall be adjusted accordingly, and upon surrender of the Term Note subject to such assignment, the Borrower shall execute and deliver a new Term Note to the assignee in an amount equal to the amount of the Term Loan Commitment assumed by it and a new Term Note to the assigning Bank in an amount equal to the Term Loan Commitment retained by it hereunder. 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 [Confidentiality].

10.11.3 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 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].

10.11.4 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 in writing 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 [Successors and Assigns], (iii) to the extent requested by any bank regulatory authority, insurance company regulatory authority or, with notice to the Borrower as permitted by applicable Law, as otherwise required by applicable Law or by any subpoena or other 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, (v) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about the Bank's investment portfolio or (vi) 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 above 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; (ii) documents in the forms described in Section 6.1 [Conditions to Closing] modified as appropriate to relate to such Subsidiary; and (iii) documents necessary to grant and perfect a Prior Security Interest to the Administrative Agent for the benefit of the Banks in all of the equity interests of such Subsidiary and in all Collateral held by such Subsidiary. The Borrower shall deliver such Guarantor Joinder and related documents to the

Administrative Agent within thirty (30) Business Days after the end of the fiscal quarter in which such Subsidiary of the Borrower becomes a Significant Subsidiary. In addition, Canyon Fuel (assuming it is a Significant Subsidiary) shall join the Loan Documents as a Guarantor at such time as the Borrower can unilaterally, under the terms of the Canyon Fuel LLC Agreement, cause such joinder to occur.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

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:

/s/ Miriam Rogers Singer
- ----------
Miriam Rogers Singer, Secretary

[Seal]

ARCH WESTERN RESOURCES, LLC

By: /s/ Patrick A. Kriegshauser

Patrick A. Kriegshauser
Vice President and Treasurer

PNC BANK, NATIONAL ASSOCIATION,
individually and as Administrative
Agent

By: /s/ Richard L. Munsick

Title: Vice President

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

By: /s/ John M. Mikolay

John M. Mikolay
Title: Vice President

NATIONSBANK, N.A., individually and
as Documentation Agent

By: /s/ Denise A. Smith

Title: Senior Vice President

[SIGNATURE PAGE 5 OF 24 TO THE ARCH WESTERN RESOURCES, LLC CREDIT AGREEMENT]

BANK OF MONTREAL

By: /s/ Ian M. Plester

Ian M. Plester
Title: Director

THE BANK OF NEW YORK

By: /s/ Nathan S. Howard

Nathan S. Howard
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H. Ashby

F.C.H. Ashby
Title: Senior Manager Loan Operations

BARCLAYS BANK PLC

By: /s/ Carol A. Cowan

Carol A. Cowan
Title: Director

[SIGNATURE PAGE 9 OF 24 TO THE ARCH WESTERN RESOURCES, LLC CREDIT AGREEMENT]

THE CHASE MANHATTAN BANK

By: /s/ Michael D. Feist

Michael D. Feist
Title: Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.,
CHICAGO BRANCH

By: /s/ Hajime Watanabe

Hajime Watanabe
Title: Deputy General Manager

CREDIT LYONNAIS CHICAGO BRANCH

By: /s/ Sandra E. Horwitz

Sandra E. Horwitz
Title: Senior Vice President
Midwest Regional Manager

[SIGNATURE PAGE 12 OF 24 TO THE ARCH WESTERN RESOURCES, LLC CREDIT AGREEMENT]

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ William V. Clifford

William V. Clifford
Title: Vice President

INTENTIONALLY OMITTED

BANK ONE, KENTUCKY, NA

By: /s/ James A. Tutt

Title: Senior Vice President

THE FUJI BANK, LIMITED

By: /s/ Peter T. Chinnici

Peter T. Chinnici
Title: Joint General Manager

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By: /s/ Walter Wolff

Title: Senior Vice President/Deputy
General Manager

MERCANTILE BANK NATIONAL ASSOCIATION

By: /s/ Stephen M. Reese

Title: Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Randall M. Kob

Randall M. Kob
Title: Vice President

TRANSAMERICA LIFE INSURANCE AND
ANNUITY COMPANY

By: /s/ John Casparian

Title: Investment Officer

ABN AMRO BANK, N.V.

By: /s/ Gregory D. Amoroso

Title: Group Vice President

/s/ Carrie A. Pence

Carrie A. Pence
Vice President

DRESDNER BANK AG NEW YORK BRANCH

By: /s/ Wayde Colquhoun

Wayde Colquhoun
Title: Vice President

By: /s/ P. Douglas Sherrod

P. Douglas Sherrod
Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ Laurence M. Levy

Title: Vice President

BANK HAPOALIM B.M. PHILADELPHIA BRANCH

By: /s/ Carl Kopfinger

Title: Vice President

By: /s/ F.J. McEntee

Title: Vice President/Controller

[SIGNATURE PAGE 24 OF 24 TO THE ARCH WESTERN RESOURCES, LLC CREDIT AGREEMENT]

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

By: /s/ Richard E. Stahl

Title: Executive Vice President

EXHIBIT 4.3

OMNIBUS AMENDMENT AGREEMENT

Dated as of June 1, 1998

in respect of
ARCH COAL TRUST NO. 1998-1
PARENT GUARANTY AND SURETYSHIP AGREEMENT
LEASE INTENDED AS SECURITY
SUBSIDIARY GUARANTY AND SURETYSHIP AGREEMENT
Each dated as of January 15, 1998

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OMNIBUS AMENDMENT AGREEMENT

THIS OMNIBUS AMENDMENT AGREEMENT dated as of June 1, 1998 (this "Amendment") is among APOGEE COAL COMPANY, a Delaware corporation, CATENARY COAL COMPANY, a Delaware corporation, and HOBET MINING, INC., a West Virginia corporation (each a "Lessee" and collectively the "Lessees"), ARCH COAL, INC., a Delaware corporation ("Parent Guarantor"), GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY, BANK OF MONTREAL, BARCLAYS BANK PLC, FIRST UNION NATIONAL BANK AND BA LEASING & CAPITAL CORPORATION (the "Certificate Purchasers"), ARCH COAL SALES COMPANY, INC., ARK LAND COMPANY AND MINGO LOGAN COAL COMPANY (each a "Subsidiary Guarantor" and collectively the "Subsidiary Guarantors") and FIRST SECURITY BANK, NATIONAL ASSOCIATION, a national banking association, in its capacity as certificate trustee under the Trust Agreement referred to below ("Certificate Trustee") and lessor under the Lease referred to below ("Lessor").

RECITALS:

A. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Lease (as hereinafter defined and as amended hereby).

B. The Certificate Purchasers and First Security Bank, National Association, in its individual capacity and as Certificate Trustee have heretofore entered into that certain Trust Agreement dated as of January 15, 1998 (the "Trust Agreement").

C. The Lessees, the Certificate Purchasers and Lessor have heretofore entered into that certain Lease Intended as Security dated as of January 15, 1998 (the "Lease").

D. Parent Guarantor has heretofore entered into that certain Parent Guaranty and Suretyship Agreement dated as of January 15, 1998 (the "Parent Guaranty") in favor of Lessor for the benefit of the Certificate Purchasers.

E. The Subsidiary Guarantors have entered into that Subsidiary Guaranty and Suretyship Agreement dated as of January 15, 1998 (the "Subsidiary Guaranty") in favor of Lessor for the benefit of the Certificate Purchasers.

F. Arch Coal, Inc. is also party to that certain $600,000,000 Revolving Credit Facility and $300,000,000 Term Loan Credit Agreement dated as of June 1, 1998 among Parent Guarantor, as borrower, PNC Bank, National Association, as Administrative Agent, Morgan Guaranty Trust Company of New York, as Syndication Agent and First Union Bank, as Documentation Agent and the Lenders listed therein (the "Revolving Credit Facility").

G. The Lessees, Parent Guarantor, the Certificate Purchasers and Certificate Trustee now desire to amend the Lease and Parent Guaranty (collectively, the "Original Agreements") in the respects, but only in the respects, hereinafter set forth.

NOW, THEREFORE, the Lessees, Parent Guarantor, the Certificate Purchasers and Certificate Trustee, in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, do hereby agree as follows:

SECTION 1. AMENDMENT OF ORIGINAL AGREEMENTS.

Section 1.1.Amendments to Parent Guaranty. Article IV of the Parent Guaranty shall be and is hereby amended in its entirety to read as follows:

ARTICLE IV

COVENANTS

"Parent Guarantor covenants that so long as this Agreement is in effect:

(a) Corporate Existence, Etc. Parent Guarantor shall, and shall cause Arch Western to, maintain its legal existence as a corporation, limited partnership or limited liability company, as the case may be. Parent Guarantor shall cause each of its Subsidiaries (other than Arch Western, which is subject to the previous sentence) to maintain its legal existence as a corporation or limited liability company, as the case may be, except as otherwise expressly permitted in clause (e) of this Article IV. Parent Guarantor shall, and shall cause Arch Western to, maintain 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 where the failure to so qualify or maintain such qualification could be corrected without a Material Adverse Effect on Parent Guarantor or Arch Western. Parent Guarantor shall cause each of its Subsidiaries (other than Arch Western, which is subject to the previous sentence) to maintain its license or qualification and good standing in each jurisdiction where a Unit is located and in each other jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect.

(b) Compliance With Laws. Parent Guarantor 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 clause (b) of this Article IV 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 could reasonably be expected to result in a Material Adverse Effect. Without limiting the generality of the foregoing, Parent Guarantor 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 Material 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 Effect.

(c) Indebtedness. Parent Guarantor 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;

(ii) additional Indebtedness of Parent Guarantor or any Subsidiary incurred after the Effective Date (not to exceed $300,000,000 in the aggregate outstanding for Parent Guarantor and all Significant Subsidiaries at any time during any period prior to the date on which the senior unsecured long-term debt of Parent Guarantor, on a consolidated basis, has been rated Investment Grade) so long as, both before and after giving effect to any proposed additional Indebtedness:

(y) Parent Guarantor and its Subsidiaries shall be in compliance with clauses (l), (m) and (n) of this Article IV determined on a pro forma basis (in the case of the Fixed Charge Coverage Ratio, the Minimum Net Worth test and the Leverage Ratio as of the end of the fiscal quarter most recently ended and as if such proposed additional Indebtedness was outstanding as of the first day of such fiscal quarter), and

(z) the covenants and defaults applicable in respect of such proposed additional Indebtedness (other than the financial covenants included in the Private Placement Agreement on the Effective Date; without 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 Parent Guarantor and its Subsidiaries than the covenants and defaults under this Parent Guaranty;

(iii) Indebtedness of Arch Western payable to Parent Guarantor, subject to the limitations of clause (s)(vii) of this Article IV);

(iv) Indebtedness of Arch Western and its Subsidiaries pursuant to the Arch Western Credit Facility;

(v) Indebtedness of any Subsidiary of Parent Guarantor which is a member of the Arch Coal Group payable to Parent Guarantor or to any other member of the Arch Coal Group;

(vi) Indebtedness of Parent Guarantor payable to Arch Western; and

(vii) Indebtedness of Parent Guarantor and its Subsidiaries reflected in the Historical Statements (other than Indebtedness refinanced with the proceeds of the Loans) and any refinancings thereof or amendments thereto that do not increase the amount of such Indebtedness beyond an amount otherwise permitted by this Parent Guaranty.

(d) Liens. Parent Guarantor shall not, and shall not permit any member of the Arch Coal Group to, at any time create, incur, assume or suffer to exist any Lien on any of its respective property or assets (other than the Units which, with respect to Liens, are covered by

Section 5.5. of the Lease), tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Encumbrances so long as the aggregate amount of Parent Guarantor payments by any such Person in respect of all operating leases which subject the assets of Parent Guarantor or any of its Subsidiaries to any Permitted Encumbrance (as the type of such lease and the amount of such payments would be determined under GAAP) and all Indebtedness secured by such Permitted Encumbrances does not at any time exceed seven and one-half percent (71/2%) of the total assets of the Arch Coal Group (exclusive of Investment in the Arch Western Group), as determined and consolidated in accordance with GAAP.

(e) Liquidations, Mergers, Consolidations, Acquisitions. Parent Guarantor 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 Parent Guarantor may consolidate or merge into any other Subsidiary of Parent Guarantor (except for the Excluded Subsidiaries), provided that each of the following requirements is met:

(i) no Incipient Default or Event of Default shall exist immediately prior to and after giving effect to such transaction;

(ii) immediately after such transaction, Lessor, on behalf of the Certificate Purchasers shall have an enforceable, perfected first priority Lien of record in all Collateral, free and clear of all Liens other than Permitted Liens;

(iii) promptly upon the consummation of such transaction, the survivor of such transaction shall have executed and delivered to Lessor and the Certificate Purchasers an assumption agreement in form and substance reasonably satisfactory to Lessor whereby such survivor assumes all of the obligations of such Subsidiary under the Operative Documents, if any; and

(iv) promptly upon the consummation of such transaction, each Certificate Purchaser and Lessor shall have received an opinion of counsel to such Subsidiary with respect to the validity of such transaction and as to the enforceability of the assumption agreement referred to in clause (iii) above and the Operative Documents against the survivor of such transaction, and

(2) Parent Guarantor and Arch Western may complete the Acquisition in accordance with the Acquisition Documents, and

(3) Parent Guarantor, any Subsidiary Guarantor or any Lessee 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 Parent Guarantor and shall comply with clause (i) of this Article IV;

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

(iv) Parent Guarantor and its Subsidiaries shall be in compliance with the covenants contained in clauses (l), (m), and (n) of this Article IV 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 as if such liabilities were incurred as of the first day of the applicable period of determination).

(v) immediately after such transaction, Lessor, on behalf of the Certificate Purchasers shall have an enforceable, perfected first priority Lien of record in all Collateral, free and clear of all Liens other than Permitted Liens;

(vi) promptly upon the consummation of such transaction, the survivor of such Permitted Acquisition shall have executed and delivered to Lessor and the Certificate Purchasers an assumption agreement in form and substance reasonably satisfactory to the Required Certificate Purchasers whereby such survivor assumes all of the obligations of Parent Guarantor, such Subsidiary Guarantor or such Lessee, as the case may be, under the Operative Documents; and

(vii) promptly upon the consummation of such transaction, each Certificate Purchaser and Lessor shall have received an opinion of counsel to Parent Guarantor, such Subsidiary Guarantor or such Lessee with respect to the validity of such transaction and as to the enforceability of the assumption agreement referred to in clause (vi) above and the Operative Documents against the survivor of such Permitted Acquisition.

(f) Dispositions of Assets or Subsidiaries. Parent Guarantor 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, 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 Parent Guarantor), except:

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

(ii) any sale, transfer or lease of assets (other than the Units) by any Subsidiary of Parent Guarantor which is a member of the Arch Coal Group to any other member of the Arch Coal Group or any sale, transfer or lease of assets (other than the Units) by any Subsidiary of Arch Western which is a member of the Arch Western Group to any other member of the Arch Western Group;

(iii) any sale of assets (other than the Units) if and to the extent the Net Cash Proceeds thereof are applied within 90 days of the consummation of such sale to the purchase by Parent Guarantor or a Subsidiary of substitute assets; provided that Parent Guarantor shall have delivered to Certificate Trustee, Lessor and each Certificate Purchaser a certificate (a "Replacement Sales Certificate") of the chief financial officer or the treasurer of Parent Guarantor, certifying as to (x) the amount of such Net Cash Proceeds and (y) the fact that Parent Guarantor or a Subsidiary shall invest such Net Cash Proceeds in substitute assets within 90 days after the date of consummation of such sale; and provided further that if and to the extent such Net Cash Proceeds are not so applied to the purchase of substitute assets within such 90-day period, such sale shall be deemed to have been made on the last day of such period pursuant to clause (v) below;

(iv) any sale, transfer or lease (including any lease transaction under clause (k) of this Article IV) of assets (other than the Units), other than those specifically excepted pursuant to subparagraphs (i) through (iii) above, provided that (a) at the time of any disposition, no Event of Default shall exist or shall result from such disposition, (b) Parent Guarantor and its Subsidiaries shall be in compliance with the covenants contained in clauses (l), (m) and (n) of this Article IV determined on a pro forma basis after giving effect to each such sale, transfer or lease of assets, and (c) the aggregate net book value of all assets so sold by Parent Guarantor 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 Arch Coal Group (exclusive of investment in the Arch Western Group) (as of the last day of such calendar year), determined and consolidated in accordance with GAAP;

(v) any sale, transfer or lease of assets (other than the Units), other than those specifically excepted pursuant to subparagraphs (i) through (iv) above or subparagraph (vi) below, so long as (A) if any principal and interest is outstanding under the Term Loans, Guarantor shall, simultaneously with the application of the Net Cash Proceeds to a mandatory prepayment of the Term Loans in accordance with the provisions of Section 4.4.6 of the Revolving Credit Facility, purchase a Unit or Units in accordance with the provisions of Section 11.5 of the Lease so that the Lease Balance is reduced in the same proportion that the Term Loans were reduced by the application of the Net Cash Proceeds or (B) if no principal and interest is outstanding under the Term Loans, Guarantor shall apply the Net Cash Proceeds to the purchase of a Unit or Units in accordance with the provisions of Section 11.5 of the Lease;

(vi) any transfer of assets by Parent Guarantor to Arch Western as contemplated by the Contribution Agreement; or

(vii) any transfer of assets by any member of the Arch Western Group permitted by the Arch Western Credit Facility, as in effect on the Effective Date.

(g) Affiliate Transactions. Parent Guarantor 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) with any Affiliate of Parent Guarantor unless such transaction is not otherwise prohibited by this Parent Guaranty and is entered into in the ordinary course of business upon fair and reasonable arm's length terms and conditions.

(h) Subsidiaries, Partnerships and Joint Ventures. Parent Guarantor shall not, and shall not permit any of its Subsidiaries to, own or create directly or indirectly any Subsidiaries other than (i) the Excluded Subsidiaries, (ii) any Significant Subsidiary which has joined the Subsidiary Guaranty as a Subsidiary Guarantor on the Delivery Date; (iii) any Significant Subsidiary formed or acquired after the Delivery Date which becomes a Subsidiary Guarantor in accordance with clause (w) of this Article IV; (iv) any Subsidiary which after the Delivery Date becomes a Significant Subsidiary and which upon becoming a Significant Subsidiary becomes a Subsidiary Guarantor in accordance with clause (w) of this Article IV and (v) any Subsidiary which is not a Significant Subsidiary. Parent Guarantor shall cause any of its Subsidiaries which at any time becomes a Significant Subsidiary to become a Subsidiary Guarantor in accordance with clause (w) of this Article IV. Neither Parent Guarantor nor any Subsidiary of Parent Guarantor shall become or agree to become (1) a general or limited partner in any general or limited partnership, except that Parent Guarantor, the Subsidiary Guarantors and Lessees may be general or limited partners in other Subsidiary Guarantors or Lessees or may make an Investment in a Permitted Joint Venture; provided, however, that the aggregate permitted Investments in all Permitted Joint Ventures shall not at any time exceed, for Parent Guarantor, all Subsidiary Guarantors and Lessees and their Subsidiaries, $50,000,000, or (2) become a member or manager of, or hold a limited liability company interest in, a limited liability company, except that Parent Guarantor, Subsidiary Guarantors and Lessees may be members or managers of, or hold limited liability company interests in, other Subsidiary Guarantors and Lessees and except that Parent Guarantor may hold a limited liability company interest in Arch Western and Arch Western may hold limited liability company interests in its Subsidiaries which are members of the Arch Western Group.

(i) Continuation of or Change in Business. Parent Guarantor 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 Parent Guarantor or such Subsidiary as of the date hereof and any business substantially related thereto, and neither Parent Guarantor nor any Subsidiary of Parent Guarantor shall permit any material change in such business.

(j) Plans and Benefit Arrangements. Parent Guarantor 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 results in liability under ERISA which could reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, Parent Guarantor shall cause all of its Plans and all Plans maintained by any ERISA Affiliate to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each ERISA Affiliate to make, in a timely manner, all contributions due to Plans, Benefit Arrangements and Multiemployer Plans.

(k) Off-Balance Sheet Financing. Parent Guarantor 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 (other than accounts receivable or inventory securitizations), sale/leasebacks, or Synthetic Leases), in excess, in the aggregate for Parent Guarantor and its Subsidiaries as of any date of determination, of 7.5% of the sum, without duplication, of (y) the total assets of Parent Guarantor and its Subsidiaries, determined and consolidated in accordance with GAAP as of the date of determination, and (z) with respect to each Special Subsidiary, an amount equal to the Appropriate Percentage multiplied by the total assets of such Person, determined in accordance with GAAP. For purposes of this clause (k), (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 and (b) the amount of any lease which is not a capital lease in accordance with GAAP is the aggregate amount of minimum lease payments due pursuant to such lease for any noncancelable portion of its term.

(l) Maximum Leverage Ratio. Parent Guarantor shall not at any time permit the Leverage Ratio to exceed the ratio set forth below for the periods specified below:

Period	Ratio
Effective Date through and including December 31, 1998	4.50 to 1.00
January 1, 1999 through and including December 31, 1999	4.25 to 1.00
January 1, 2000 through and including December 31, 2000	4.00 to 1.00
January 1, 2001 through and including December 31, 2001	3.50 to 1.00
January 1, 2002 and thereafter	3.00 to 1.00

(m) Minimum Fixed Charge Coverage Ratio. Parent Guarantor shall not permit the Fixed Charge Coverage Ratio to be less than the ratio set forth below for the periods specified below:

Period	Ratio
Effective Date through and including December 31, 1998	2.50 to 1.00

January 1, 1999 through and including December 31, 1999	2.75 to 1.00
January 1, 2000 through and including December 31, 2000	3.00 to 1.00
January 1, 2001 and thereafter	3.25 to 1.00

(n) Minimum Net Worth. Parent Guarantor shall not at any time permit Consolidated Tangible Net Worth to be less than the Base Net Worth.

(o) No Restriction on Dividends. Parent Guarantor 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), other than restrictions applicable to the Arch Western Group set forth in the Arch Western Credit Facility, other than restrictions applicable to Arch Western set forth in the Arch Western LLC Agreement and other than restrictions applicable to Canyon Fuel set forth in the Canyon Fuel LLC Agreement.

(p) Change of Name or Location. Parent Guarantor shall furnish to Lessor notice on or before the 30th day prior to any relocation of its chief executive office or principal place of business, or change of its name.

(q) Keeping of Records and Books of Account. Parent Guarantor shall, and shall cause each Subsidiary of Parent Guarantor to, maintain and keep proper books of record and account which enable Parent Guarantor and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Authority having jurisdiction over Parent Guarantor or any Subsidiary of Parent Guarantor, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

(r) Visitation Rights. Parent Guarantor shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of Lessor or any of the Certificate Purchasers to visit and inspect during normal business hours any of its properties (including, without limitation, the Units) and to examine and make excerpts from its books and records (including, without limitation, any Lessee's records pertaining to the Units), and discuss its business affairs, finances and accounts with the officers and accountants of Parent Guarantor or any of its Subsidiaries (including, but not limited to, any independent public accountants), all in such detail and at such times and as often as any of the Certificate Purchasers may reasonably request, provided that each Certificate Purchaser and Lessor shall provide Parent Guarantor and each Subsidiary of Parent Guarantor with reasonable notice prior to any visit or inspection. Parent Guarantor will pay the reasonable expenses of Lessor and the Certificate Purchasers incurred in the exercise of the rights granted pursuant to this clause (r).

(s) Loans and Investments. Parent Guarantor shall not, and shall not permit any of its Subsidiaries to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds (other than, in the ordinary course of business, royalty bonds or bonds securing performance by Parent Guarantor or a Subsidiary of Parent Guarantor under bonus bids), notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution to, any other Person (an "investment"), or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) investments by Parent Guarantor in its Subsidiaries which are members of the Arch Coal Group;

(iii) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(iv) commercial paper maturing in 180 days or less rated not lower than A-1 by Standard & Poor's or P-1 by Moody's on the date of acquisition;

(v) demand deposits, time deposits or certificates of deposit maturing within one year in a commercial bank whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's on the date of determination;

(vi) investments in Permitted Joint Ventures in accordance with clause (h) of this Article IV;

(vii) investments by Parent Guarantor in, or reimbursement obligations by Parent Guarantor to an Issuing Bank with respect to any letter of credit issued for the direct or indirect benefit of, Arch Western (collectively the "Permitted Investments in Arch Western"); provided, however, that Parent Guarantor shall not make any Permitted Investment in Arch Western if at the time such investment is proposed to be made and after giving effect thereto (x) the aggregate amount of the Permitted Investments in Arch Western would exceed $100,000,000 and (y) the Leverage Ratio would be greater than 3.00 to 1.00; and

(viii) loans and advances permitted by clause (c)(v).

(t) Reporting Requirements. Parent Guarantor covenants and agrees that it will furnish or cause to be furnished to Lessor and each of the Certificate Purchasers:

(i) 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 Parent Guarantor and its Subsidiaries, consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter, related consolidated and consolidating statements of income and stockholders' equity and related consolidated statement of 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 Parent Guarantor 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. Parent Guarantor will be deemed to have complied with the delivery requirements with respect to the consolidated financial statements required to be delivered under this clause (t) if within forty-five (45) days after the end of its fiscal quarter, Parent Guarantor delivers to Lessor and each Certificate Purchaser a copy of Parent Guarantor's Form 10-Q as filed with the SEC and the financial statements contained therein meet the requirements described in this clause (t).

(ii) Annual Financial Statements. As soon as available and in any event within ninety (90) days after the end of each fiscal year of Parent Guarantor, financial statements of Parent Guarantor and its Subsidiaries consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, related consolidated and consolidating statements of income and stockholders' equity and related consolidated statement of 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, in the case of the consolidated financial statements, by independent certified public accountants of nationally recognized standing satisfactory to Lessor. 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 Parent Guarantor or any of its Subsidiaries under any of the Operative Documents. Parent Guarantor will be deemed to have complied with the delivery requirements with respect to the consolidated financial statements required to be delivered under this clause (ii) if within ninety (90) days after the end of its fiscal year, Parent Guarantor delivers to Lessor and each Certificate Purchaser a copy of Parent Guarantor's Annual Report and Form 10-K as filed with the SEC and the financial statements and certification of public accountants contained therein meet the requirements described in this clause (ii).

(iii) Certificate of Parent Guarantor. Concurrently with the financial statements of Parent Guarantor furnished to Lessor and each Certificate Purchaser pursuant to clause (t)(i) and clause (t)(ii) a certificate of Parent Guarantor signed by the Chief Executive Officer, President or Chief Financial Officer of Parent Guarantor to the effect that, except as described pursuant to clause (t)(iv), (A) the representations and warranties of Parent Guarantor contained in the Operative 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 Parent Guarantor and its Subsidiaries have performed and complied with all covenants and conditions

contained in the Operative Documents, (B) no Event of Default, Incipient Default or Casualty exists and is continuing on the date of such certificate and (C) containing calculations in sufficient detail to demonstrate compliance as of the date of such financial statements with all financial covenants contained in the Operative Documents.

(iv) Notice of Defaults. Promptly after any officer of Parent Guarantor has learned of the occurrence of an Event of Default or Incipient Default, a certificate signed by the Chief Executive Officer, President or Chief Financial Officer of Parent Guarantor setting forth the details of such Event of Default or Incipient Default and the action which Parent Guarantor proposes to take with respect thereto.

(v) 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 Authority or any other Person against Parent Guarantor or any Subsidiary of Parent Guarantor or, which (x) involve or could be reasonably expected to involve assessments against Parent Guarantor or any Subsidiary of Parent Guarantor in excess of $20,000,000, individually or in the aggregate, or (y) involve a claim or series of claims which if adversely determined could reasonably be expected to constitute a Material Adverse Effect.

(vi) Notice of Change in Debt Rating. Within five (5) Business Days after Standard & Poor's or Moody's announces a change in Parent Guarantor's Debt Rating, notice of such change. Parent Guarantor will deliver together with such notice a copy of any written notification which Parent Guarantor received from the applicable rating agency regarding such change of Debt Rating.

(vii) Notices Regarding Plans and Benefit Arrangements.

(A) 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 Parent Guarantor or any other member of the ERISA Group which has been waived by the PBGC),

(II) any Prohibited Transaction which could subject Parent Guarantor 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 but only if the assessment of such (iv) penalty or tax could reasonably be expected to have a Material Adverse Effect,

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

(IV) any partial or complete withdrawal from a Multiemployer Plan by Parent Guarantor 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 Parent Guarantor or any other member of the ERISA Group) at a facility in the circumstances described in Section 4062(e) of ERISA where such cessation of operations is likely to result in material liability under ERISA Sections 4060 or 4064,

(VI) withdrawal by Parent Guarantor or any other member of the ERISA Group from a Multiple Employer Plan where such withdrawal is likely to result in material withdrawal liability,

(VII) a failure by Parent Guarantor 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 the unfunded benefit liability or obligation to make periodic contributions.

(viii) 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 Parent Guarantor or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by Parent Guarantor or any member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of Lessor or any Certificate Purchaser, 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 Parent Guarantor or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of Parent Guarantor 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 Parent Guarantor or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

(ix) Notices of Voluntary Termination. Promptly upon the filing thereof, copies of any notice of standard termination with the PBGC, or any successor or equivalent form, filed with the PBGC in connection with the termination of any Plan.

(x) SEC Information. As soon as practicable, copies of all such financial statements, proxy statements, notices and reports as Parent Guarantor shall send to its public stockholders, if

any, and copies of any registration statements (without exhibits) and any regular or periodic reports which it files with the SEC (or any Authority succeeding to the function of the SEC).

(xi) Rule 144A Information. At any time when Parent Guarantor is not subject to Section 13 or 15(d) of the Exchange Act, if Lessor or any Certificate Purchaser shall request that Parent Guarantor deliver to Lessor, or to such Certificate Purchaser, information with respect to Parent Guarantor that meets the requirements of Rule 144A(d)(4)(i) of the Exchange Act (or any successor provision), then: (x) promptly following the receipt by Parent Guarantor of that request, Parent Guarantor shall deliver such information to Lessor, or to such Certificate Purchaser, and (y) such information shall, at the time of such delivery, be as of a date so as to be entitled to the presumption that such information is "reasonably current" within the meaning of Rule 144A(d)(4)(ii) of the Exchange Act (or any successor provision; provided that Parent Guarantor (i) shall not be so obligated to the extent that any amendment to Rule 144A after the date hereof expands or makes more onerous the provisions of Rule 144A, and (ii) shall in no event be obligated to provide more information pursuant to this clause (t) of Article IV with respect to the nature of its business and the products and services that it offers than it is providing to its commercial lenders at such time.

(xii) Other Information. With reasonable promptness, such other data and information with respect to the business, affairs and conditions of Parent Guarantor or its Subsidiaries as from time to time Lessor or any Certificate Purchaser or each Assignee may reasonably request.

(u) Reports to Certificate Purchasers. Parent Guarantor shall, concurrently with any notice, delivery or other communication to Lessor pursuant to any Operative Document, deliver a copy of such notice, delivery or other communication to each Certificate Purchaser at such Certificate Purchaser's current address.

(v) Securities. Parent Guarantor shall not, nor shall it permit any Subsidiary or anyone authorized to act on its or such Subsidiary's behalf to, take any action which would subject the issuance or sale of the Certificates, any of the Units or the Lease, or any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be part of the same offering as the offering of the aforementioned items, to the registration requirements of Section 5 of the Securities Act or any state securities laws.

(w) Guarantor Joinder. Parent Guarantor shall cause any Significant Subsidiary of Parent Guarantor to execute and deliver to Lessor and each Certificate Purchaser (i) a Guarantor Joinder in substantially the form attached as Exhibit A to the Subsidiary Guaranty pursuant to which it shall join as a Subsidiary Guarantor each of the documents to which the Subsidiary Guarantors are parties; and (ii) the applicable documents in the forms described in Section 3.11 to the Lease modified as appropriate to relate to such Significant Subsidiary. Parent Guarantor shall deliver such Guarantor Joinder and related documents to Lessor and each Certificate Purchaser with five (5) Business Days after any Subsidiary of Parent Guarantor becomes a Significant Subsidiary.

(x) Operation of Mines. Parent Guarantor 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.

(y) No Amendments to Acquisition Documents. Parent Guarantor shall not, and shall not permit any of its Subsidiaries to, enter into any amendment or modification to or waiver or consent under (or solicit any such amendment, modification, waiver or consent) any of the Acquisition Documents or the Coastal Agreement which could reasonably be expected to be material and adverse to the Certificate Purchasers without the prior written consent of Lessor.

Section 1.2.Amendments to Lease. (a) Article I of the Lease is hereby amended by adding or amending, as the case may be, the following definitions:

"Acquisition" means the transactions contemplated by the Purchase Agreement and the Contribution Agreement, as such documents may be amended, modified or supplemented after June 1, 1998 as permitted by clause (y) of Article IV of the Parent Guaranty.

"Acquisition Documents" means collectively the Purchase Agreement, the Contribution Agreement, the Tax Sharing Agreement, and the LLC Agreements, as limited by their schedules and exhibits, as the same may be amended, modified or supplemented after June 1, 1998 as permitted by clause (y) of Article IV of the Parent Guaranty.

"Affiliate" as to any Person means 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. Notwithstanding the foregoing, a Subsidiary of Parent Guarantor (other than an Excluded Subsidiary) shall not be deemed to be an Affiliate of Parent Guarantor.

"Applicable Margin" shall mean, as applicable:

(A) the percentage spread to be added to the LIBO Rate at the indicated level of Leverage Ratio for any period during which a Debt Rating is not in effect as set forth in the pricing grid on Schedule V.1(A) Part (A) below the heading "Spread", or

(B) the percentage spread to be added to the LIBO Rate at the indicated level of Debt Rating for any period during which a Debt Rating is in effect as set forth in the pricing grid on Schedule V.1(A) Part (B) below the heading "Spread".

"Amendment" means that certain Omnibus Amendment Agreement dated as of June 1, 1998 among Lessees, Parent Guarantor, the Certificate Purchasers, the Subsidiary Guarantors and Certificate Trustee/Lessor.

"Appropriate Percentage" means, with respect to each Special Subsidiary, the percentage of the equity of such Person owned by Parent Guarantor or any Subsidiary of Parent Guarantor.

"Arch Coal Group" means, as of any date of determination, Parent Guarantor and its Subsidiaries (other than the Excluded Subsidiaries).

"Arch of Wyoming LLC Agreement" means that certain Limited Liability Agreement, dated as of April 15, 1998, of Arch of Wyoming LLC.

"Arch Western" means Arch Western Resources, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

"Arch Western Credit Facility" means that certain Credit Agreement by and among Arch Western, PNC Bank as administrative agent, Morgan Guaranty Trust Company of New York, as syndication agent and NationsBank N.A. as documentation agent, providing for a $675,000,000 term loan facility to Arch Western, as the same may be amended, restated, modified or supplemented from time to time after the date hereof.

"Arch Western Group" means, as of any date of determination, AWAC, Arch Western and the Subsidiaries of Arch Western.

"Arch Western LLC Agreement" means that certain Limited Liability Company Agreement by and between AWAC and Delta Housing, Inc., a Delaware corporation, dated as of June 1, 1998, with AWAC and Delta Housing, Inc. as members and creating Arch Western Resources, LLC, a Delaware limited liability company.

"ARCO" means Atlantic Richfield Company, a corporation organized and existing under the laws of the State of Delaware.

"AU Sub LLC Agreement" means that certain Limited Liability Company Agreement, dated as of April 8, 1998, as amended, of AU Sub LLC, a limited liability company organized and existing under the laws of the State of Delaware.

"AWAC" means Arch Western Acquisition Corporation, a corporation organized and existing under the laws of the State of Delaware.

"Banks" means the financial institutions named on Schedule 1.1(B) to the Revolving Credit Facility and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a Bank.

"Base Net Worth" means the sum of $500,000,000, plus 50% of consolidated net income of Parent Guarantor and its Subsidiaries (before the after-tax effect of changes in accounting principles) for each fiscal quarter in which net income was earned plus 80% of the net increase in Consolidated Tangible Net Worth resulting from the issuance of any equity securities by Parent Guarantor, for the period from April 1, 1998 through the date of determination. In no event shall Base Net Worth be reduced on account of a consolidated net loss for any fiscal period.

"Bid Loans" means collectively and Bid Loan means separately all of the Bid Loans or any Bid Loan made by any of the Lenders to Parent Guarantor pursuant to Section 2.9 of the Arch Western Credit Facility.

"Canyon Fuel" means Canyon Fuel Company, LLC, a limited liability company organized and existing under the laws of the State of Delaware

"Canyon Fuel LLC Agreement" means that certain Limited Liability Company agreement by and between Arch Western (or a Subsidiary of Arch Western) and Itochu Coal International, Inc., a Delaware corporation, dated as of January 1, 1997, as amended, with Arch Western and Itochu Coal International, Inc. as members of Canyon Fuel Company, LLC, a Delaware limited liability company.

"Consolidated Tangible Net Worth" means as of any date of determination total stockholders' equity less intangible assets of Parent Guarantor and its Subsidiaries as of such date determined and consolidated in accordance with GAAP less the positive number, if any, equal to the amount of the Investment by Parent Guarantor and its Subsidiaries in Permitted Joint Ventures in excess of $30,000,000 and adjusted to exclude the after tax effect of any changes in accounting principles subsequent to March 31, 1998.

"Contribution Agreement" means that certain Contribution Agreement among Parent Guarantor, AWAC, ARCO, Delta Housing, Inc., a Delaware corporation, and Arch Western.

"Debt" shall mean for any Person as of any date of determination the aggregate of the following for such Person, as of such date, determined in accordance with GAAP: (i) all indebtedness for borrowed money (including, without limitation, all subordinated indebtedness but excluding obligations under any interest rate swap, cap, collar or floor agreement or other interest rate management device), (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, (iv) reimbursement obligations (contingent or otherwise) under any letter of credit (other than, with respect to Parent Guarantor and its Subsidiaries, contingent reimbursement obligations aggregating at any time up to $10,000,000 and other than contingent reimbursement obligations in respect of the letter of credit issued to support the Port Bond) and (v) 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 by such Person (the

"Guaranteeing Person") of Debt of other Persons (each such other Person being a "Primary Obligor" and the obligations of a Primary Obligor which are subject to a Guarantee by a Guaranteeing Person being "Primary Obligations") (it being understood that if the Primary Obligations of the Primary Obligor do not constitute Debt, then the Guarantee by the Guaranteeing Person of the Primary Obligations of the Primary Obligor shall not constitute Debt). 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 (v) 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 Effective Date) will be excluded from indebtedness in the determination of Debt.

"Debt Rating" shall mean the rating of Parent Guarantor's senior unsecured long-term debt by either of Standard & Poor's or Moody's.

"Derivatives Obligations" shall mean, for any Person, all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"EBITDDA" for any period of determination means with respect to any Person the sum of income from operations before the effect of changes in accounting principles, nonrecurring charges and extraordinary items, net interest expense, income taxes, depreciation, depletion and amortization for such period determined in accordance with GAAP. For purposes of calculating the Fixed Charge Coverage Ratio and the Leverage Ratio: (i) EBITDDA of Arch Western and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel, shall be assumed to be $39,200,000 for the fiscal quarter ended March 31, 1998, and (ii) EBITDDA for Arch Western and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel for the months of April and May, 1998, shall be determined based upon the results from the operations of the business of such Persons for such months by ARCO as set forth in an income statement with respect to such months prepared by ARCO and reasonably acceptable to Lessor and each Certificate Purchaser, shall take into account the $1,000,000 per month reduction in overhead resulting from the consummation of the Acquisition, shall assume that operating lease expense of Arch Western and its Subsidiaries, including Canyon Fuel, shall be $970,000 per month and shall assume that interest expense for such Persons for such months shall be zero, with such calculation of EBITDDA for Arch Western and its Subsidiaries for such months to be reasonably acceptable to the Agents. Further, for purposes of calculating the Fixed Charge Coverage Ratio and the Leverage Ratio for the fiscal quarters ended June 30, 1998, and September 30, 1998, EBITDDA of Arch Western and its Subsidiaries, including the Appropriate Percentage of EBITDDA of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, EBITDDA of Arch Western and its Subsidiaries for the two fiscal quarters then ended determined on a consolidated

basis in accordance with GAAP, plus the Appropriate Percentage of EBITDDA of Canyon Fuel, for the two fiscal quarters then ended, determined on a consolidated basis in accordance with GAAP, multiplied by (y) two (2); and (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, EBITDDA of Arch Western and its Subsidiaries for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, plus the Appropriate Percentage of EBITDDA of Canyon Fuel for the three fiscal quarters then ended determined on a consolidated basis in accordance with GAAP, multiplied by (y) four-thirds (4/3).

"Effective Date" shall mean June 1, 1998.

"Environmental Permit" means any permit, approval, license or other authorization required under any Environmental Law.

"Excluded Subsidiaries" means, collectively, AWAC, Arch Western and the Subsidiaries of Arch Western.

"Fixed Charge Coverage Ratio" means the ratio of (a) the sum, without duplication, of EBITDDA of Parent Guarantor and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's EBITDDA, each on a consolidated basis in accordance with GAAP, plus operating lease expense of Parent Guarantor and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's operating lease expense, each on a consolidated basis in accordance with GAAP, to (b) the sum of interest expense (other than Permitted Loan Origination Expense) of Parent Guarantor and its Subsidiaries, plus the Appropriate Percentage of interest expense of each Special Subsidiary, each on a consolidated basis in accordance with GAAP, plus operating lease expense of Parent Guarantor and its Subsidiaries, plus the Appropriate Percentage of operating lease expense of each Special Subsidiary, each on a consolidated basis in accordance with GAAP, with the amounts under the numerator and denominator of such ratio all calculated as of the last day of each fiscal quarter for the four fiscal quarters of Parent Guarantor then ended. It is assumed that operating lease expense of Arch Western and its Subsidiaries, including Canyon Fuel, shall be $970,000 per month for the months of April and May, 1998 and that interest expense for such Persons for such months shall be zero. For purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ended June 30, 1998, September 30, 1998 and December 31, 1998, operating lease expense of Arch Western and its Subsidiaries, including the Appropriate Percentage of operating lease expense of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, operating lease expense of Arch Western and its Subsidiaries for such fiscal quarter determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for such fiscal quarter determined in accordance with GAAP, multiplied by (y) four (4); (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, operating lease expense of Arch Western and its Subsidiaries for the two fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for the two fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) two (2); and (iii) for the fiscal quarter ended December 31, 1998, the product of, (x) without duplication, operating lease expense of Arch Western and its Subsidiaries for the three fiscal quarters then

ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of operating lease expense of Canyon Fuel for the three fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) four-thirds (4/3). For purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ended June 30, 1998, September 30, 1998 and December 31, 1998, interest expense of Arch Western and its Subsidiaries, including the Appropriate Percentage of interest expense of Canyon Fuel, shall be deemed to be an amount equal to: (i) for the fiscal quarter ended June 30, 1998, the product of, (x) without duplication, interest expense of Arch Western and its Subsidiaries for such fiscal quarter determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of interest expense of Canyon Fuel for such fiscal quarter determined in accordance with GAAP, multiplied by (y) four (4); (ii) for the fiscal quarter ended September 30, 1998, the product of, (x) without duplication, interest expense of Arch Western and its Subsidiaries for the two fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of interest expense of Canyon Fuel for the two fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) two (2); and (iii) for the fiscal quarter ended December 31, 1998, the product of, (x) without duplication, interest expense of Arch Western and its Subsidiaries for the three fiscal quarters then ended determined and consolidated in accordance with GAAP, plus the Appropriate Percentage of interest expense of Canyon Fuel for the three fiscal quarters then ended determined in accordance with GAAP, multiplied by (y) four-thirds (4/3).

"Historical Statements" shall have the meaning assigned to that term in Section 5.1.7(i) of the Revolving Credit Facility.

"Indebtedness" means, 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. It is understood that Derivatives Obligations shall not be deemed to be Indebtedness.

"Initial Annual Statements and Compliance Certificate" shall mean collectively with respect to the fiscal year of the Borrower ended December 31, 1998, the annual financial statements of the Borrower and its Subsidiaries consisting of the unaudited consolidated and consolidating balance sheet as of the end of such fiscal year, related consolidated and consolidating statements of income and stockholders' equity and related consolidated statement of cash flows for the fiscal year then ended, together with the duly executed related compliance certificate required to be delivered to Lessor and each Certificate Purchaser pursuant to clause (t)(iii) of Article IV of the

Parent Guaranty. It is acknowledged and agreed that the Initial Annual Statements and Compliance Certificate are to be delivered by the Borrower for purposes of calculating the Leverage Ratio as of December 31, 1998 in order to determine the Applicable Margin. Notwithstanding the delivery of the Initial Annual Statements and Compliance Certificate, the Borrower shall still be required to comply with the provisions of clause (t)(ii) of Article IV of the Parent Guaranty and deliver the audited financial statements required thereby, together with the related Compliance Certificate required to be delivered under clause (t)(iii) of Article IV of the Parent Guaranty.

"Initial Delivery Date" shall mean the date the Borrower delivers to Lessor and the Certificate Purchasers the Initial Annual Statements and Compliance Certificate.

"Interest Rate" means, with respect to any Rent Period or portion thereof, the rate per annum equal to (a) unless, per the terms of Section 2.9(c) or Section 7.6 hereof, the Base Rate is in effect, the sum of the LIBO Rate plus the Applicable Margin or (b) if the Base Rate is in effect, the Base Rate, in each case, for such Rent Period.

"Investment Grade" means the rating of Parent Guarantor's senior unsecured long-term debt, on a consolidated basis, of BBB- or better by Standard & Poor's and Baa3 or better by Moody's.

"Issuing Banks" shall have the meaning set forth in the Revolving Credit Facility.

"Leverage Ratio" means the ratio of the sum of, without duplication, Debt of Parent Guarantor and its Subsidiaries, plus the Appropriate Percentage of Debt of each Special Subsidiary, each on a consolidated basis in accordance with GAAP (as the numerator) to EBITDDA of Parent Guarantor and its Subsidiaries, plus the Appropriate Percentage of each Special Subsidiary's EBITDDA, each on a consolidated basis in accordance with GAAP (as the denominator). For purposes of calculating the Leverage Ratio, Debt shall be determined as of the end of each fiscal quarter of Parent Guarantor and EBITDDA shall be determined as of the end of each fiscal quarter of Parent Guarantor for the four fiscal quarters then ended.

"LLC Agreements" means collectively the Arch Western LLC Agreement, Canyon Fuel LLC Agreement, Mountain Coal LLC Agreement, Arch of Wyoming LLC Agreement, AU Sub LLC Agreement, State Leases LLC Agreement and the Thunder Basin LLC Agreement.

"Loans" means collectively and Loan means separately all Revolving Credit Loans, Term Loans, Swing Loans and Bid Loans or any Revolving Credit Loan, Term Loan, Swing Loan or Bid Loan.

"Moody's" means Moody's Investors Service, Inc.

"Mountain Coal LLC Agreement" means that certain Limited Liability Company Agreement, dated as of March 6, 1998, as amended, creating Mountain Coal Company, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware.

"Net Cash Proceeds" means, with respect to any transaction, an amount equal to the cash proceeds received by Parent Guarantor or any of its Subsidiaries (other than Excluded Subsidiaries) from or in respect of such transaction (including, when received, any cash proceeds received as income or other cash proceeds of any non-cash proceeds of such transaction), less (x) any expenses or charges (including commissions, fees and taxes paid or payable) reasonably incurred by such Person in respect of such transaction, (y) any amounts considered appropriate by the chief financial officer of Parent Guarantor to provide reserves in accordance with GAAP for payment of indemnities or liabilities that may be incurred in connection with such sale or disposition, and (z) in the case of any asset sale permitted by clause (f)(v) of Article IV of the Parent Guaranty, the amount of any debt secured by a Lien on the related asset and discharged as part of such asset sale. For purposes of this definition, if taxes or other expenses payable in connection with the sale or other disposition of any asset are not known as of the date of such sale or other disposition, then such fees, commissions, expenses or taxes shall be estimated in good faith by the chief financial officer of Parent Guarantor and such estimated amounts shall be deducted.

"Parent Guaranty" means that certain Guaranty and Suretyship Agreement dated as of January 15, 1998 by Parent Guarantor for the benefit of Lessor and Certificate Purchasers, as amended by the Amendment and as the same may be further amended, modified, waived or supplemented from time to time, pursuant to the terms thereof.

"Permitted Encumbrances" means:

(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 Laws and Regulations 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 Parent Guarantor or any of its Subsidiaries under capital or operating leases (in either case, as the nature of such lease is determined in accordance with GAAP) securing obligations of Parent Guarantor or such 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 Lessee, Parent Guarantor or any Subsidiary Guarantor to perform its Obligations hereunder or under the Operative Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, provided that such Lessee, Parent Guarantor or such Subsidiary Guarantor 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(j); and

(ix) Any Lien or restriction resulting from ownership, by an entity other than an Affiliate of Parent Guarantor, of a minority interest in Canyon Fuel;

(x) the pledge by Coal-Mac, Inc. and Ashland Terminal, Inc. of their respective partnership interests in Dominion Terminal Associates in connection with the Port Bond; and

(xi) Liens granted under the Arch Western Credit Facility.

provided, however, that no such Permitted Encumbrance shall attach or extend to any Collateral.

"Permitted Joint Venture" means any Person (i) with respect to which the ownership of equity interests thereof by Parent Guarantor or any Subsidiary of Parent Guarantor is accounted for in accordance with the "equity method" in accordance with GAAP; (ii) engaged in a line of business permitted by clause (i) of Article IV of the Parent Guaranty; and (iii) with respect to which the equity interests thereof were acquired by Parent Guarantor or Subsidiary of Parent Guarantor in an arms-length transaction; provided that any such Person shall be treated for purposes of this Agreement as a Subsidiary and not a Permitted Joint Venture if (A) Parent Guarantor has management control over the operations of such Person and (B) Parent Guarantor owns directly or indirectly a majority of the economic equity interest in such Person.

"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 $23,240,000, together with any renewals thereof or replacements therefor so long as the face amount thereof is not in excess of $23,240,000.

"Purchase Agreement" means that certain Purchase and Sale Agreement among ARCO, ARCO Uinta Coal Company, a Delaware corporation, Parent Guarantor and AWAC, dated as of March 22, 1998, together with all schedules and exhibits thereto.

"Revolving Credit Facility" means that certain $600,000,000 Revolving Credit Facility and $300,000,000 Term Loan Credit Agreement dated as of June 1, 1998 among Parent Guarantor, as borrower, PNC Bank, National Association, as Administrative Agent, Morgan Guaranty Trust Company of New York, as Syndication Agent and First Union Bank, as Documentation Agent and the lenders listed therein.

"Revolving Credit Loans" means collectively and Revolving Credit Loan means separately all Revolving Credit Loans or any Revolving Credit Loan made by the Banks or one of the Banks to Parent Guarantor pursuant to Section 2.1 or 2.10.3 of the Revolving Credit Facility. 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 under the Revolving Credit Facility pursuant to Section 8.2.1 or 8.2.2 of the Revolving Credit Facility as provided in Section 8.3 of the Revolving Credit Facility.

"Significant Subsidiary" shall mean any Subsidiary of Parent Guarantor (other than the Excluded Subsidiaries) which at any time (i) has gross revenues equal to or in excess of five percent (5%) of the gross revenues of Parent Guarantor 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 Parent Guarantor and its Subsidiaries, in either case, as determined and consolidated in accordance with GAAP.

"Special Subsidiary" means Canyon Fuel and each other Person to be treated as a Subsidiary in accordance with the proviso to the definition of Permitted Joint Venture.

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

"State Leases LLC Agreement" means that certain Limited Liability Company Agreement, dated as of April 8, 1998, as amended, of State Leases LLC, a limited liability company organized and existing under the laws of the State of Delaware.

"Subsidiary Guarantors" means Arch Coal Sales Company, Inc., Ark Land Company and Mingo Logan Coal Company and each other Person that joins the Subsidiary Guaranty as a Subsidiary Guarantor.

"Subsidiary Guaranty" means that certain Guaranty and Suretyship Agreement dated as of January 15, 1998 made by the Subsidiary Guarantors for the benefit of Lessor and Certificate Purchasers, as amended by the Amendment and as the same may be further amended, modified, waived or supplemented from time to time, pursuant to the terms thereof.

"Swing Loans" means collectively and Swing Loan means separately all Swing Loans or any Swing Loan made by PNC Bank to Parent Guarantor pursuant to Section 2.5 of the Revolving Credit Facility.

"Tax Sharing Agreement" means that certain Tax Sharing Agreement dated as of June 1, 1998 by and among Parent Guarantor, AWAC, Arch Western and Delta Housing, Inc., a Delaware corporation.

"Term Loan" shall have the meaning given to such term in Section 2.12 of the Revolving Credit Facility; Term Loans means collectively all of the Term Loans.

"Thunder Basin LLC Agreement" means that certain Limited Liability Company Agreement, dated as of July 10, 1997, as amended, creating Thunder Basin Coal Company, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware.

(b) Section 8.1 clause (d) of the Lease shall be and is hereby amended in is entirety to read as follows:

"(d) Parent Guarantor shall default in the performance or observance of any term, covenant, condition or agreement on its part to be performed or observed under clauses (c) through (o) and clause (s) of Article IV of the Parent Guaranty."

(c) Section 8.1 clause (h) of the Lease shall be and is hereby amended by deleting the number $10,000,000 wherever such number appears in the aforementioned clause (h) and replacing it with the number $20,000,000.

(d) Section 8.1 clause (k) of the Lease shall be and is hereby amended by deleting the number $10,000,000 wherever such number appears in the afore-mentioned clause (k) and replacing it with the number $20,000,000.

(e) Section 11.5 of the Lease shall be and is hereby amended in its entirety to read as follows:

"Section 11.5. Early Termination.

(a) Early Termination. If no Incipient Default or Event of Default shall exist, on any scheduled Payment Date (the "Early Termination Date"), if any Lessee (I) has made a good faith determination that any Unit leased by such Lessee should be replaced or removed from this Lease for operational reasons (as evidenced by a resolution of the Board of Directors of such Lessee) or (II) pursuant to Section IV(f)(v) of the Parent Guaranty, has elected to apply Net Cash Proceeds to a purchase of a Unit or Units selected by Lessor and the Certificate Purchasers in their sole discretion, upon at least 30 days' advance written notice to Lessor and the Certificate Purchasers, such Lessee may:

(i) purchase such Unit for a purchase price equal to the Casualty Amount of such Unit; or in the case of clause (I) above only

(ii) replace such Unit pursuant to the following provisions of this Section 11.5.

If such Lessee has elected to pay the Casualty Amount pursuant to clause (i) above, Lessees shall continue to make all payments of Rent with respect to such Unit due under this Lease until and including the Early Termination Date. Upon payment of the Casualty Amount in respect of such Unit on such Early Termination Date, (x) the remaining scheduled payments of Capital Rent shall be proportionately reduced by an amount equal to the product of the scheduled amount of such Capital Rent payment (determined in each case prior to the receipt of such Casualty Amount), multiplied by the Unit Value Fraction of such Unit and the Lease Balance shall be appropriately adjusted to reflect such reduction in the remaining scheduled payments of Capital Rent.

If any Lessee has given notice that it intends to replace such Unit on or before the Early Termination Date, then such Lessee shall make subject to this Lease, a replacement for such Unit meeting the suitability standards hereinafter set forth. To be suitable as a replacement Unit, an item must be of the same general type, year of construction (or a later year of construction), function, utility, state of repair and operating condition (immediately preceding such termination assuming that such Unit had been maintained in accordance with the terms of Section 5.3) as the Unit being replaced, must have a Fair Market Value of not less than the Fair Market Value (immediately preceding such replacement assuming that such Unit had been maintained in accordance with the terms of Section 5.3) of the Unit being replaced and be free and clear of any Liens other than Permitted Liens. Such Lessee shall cause a Bill of Sale and an Acceptance Certificate to be executed and delivered to Lessor and the Certificate Purchasers in order to subject such replacement item to this Lease, and upon such execution and delivery and the

receipt by Lessor and the Certificate Purchasers of (i) evidence reasonably satisfactory to them of such Lessee's compliance with the insurance provisions of Section 6.2 with respect to such replacement item, and (ii) an opinion of counsel to such Lessee in form and substance reasonably satisfactory to Lessor and the Certificate Purchasers opining, among other things, to the effect that all appropriate filings, recordings and other acts have been taken to protect the right, title and interest of Lessor, on behalf of the Certificate Purchasers, in such replacement item and that no other filing, recording, deposit, or giving of notice with or to any Authority is necessary to protect such right, title and interest in such replacement item, such replacement item shall be deemed a "Unit" for all purposes hereof.

Notwithstanding anything contained herein to the contrary, Lessees' right to purchase a Unit pursuant to clause (I) of the first paragraph of this Section 11.5 is limited in the aggregate to Units having a Purchase Price equal to or less than 10% of the Purchase Price for all Units.

(b) Early Purchase Option. If no Incipient Default or Event of Default shall exist on any Payment Date (the "Early Purchase Date"), upon at least 30 days' advance written notice from Lessees' Agent to Lessor and the Certificate Purchasers, Lessees may purchase all but not less than all of the Units subject to this Lease for a purchase price equal to the entire outstanding Lease Balance, plus all Accrual Rent accrued on the Lease Balance, plus the Applicable Administrative Charge on the Lease Balance, plus all other sums then due and payable under the Operative Documents by Lessees, Parent Guarantor or any Subsidiary Guarantor."

SECTION 2. RELEASE.

Upon and by virtue of this Amendment becoming effective as herein contemplated, Allegheny Land Company and Cumberland River Coal Company shall be deemed to be released from their obligations under the Subsidiary Guaranty and the Subsidiary Guaranty is hereby amended to evidence such release.

SECTION 3. REPRESENTATIONS OF PARENT GUARANTOR, THE SUBSIDIARY GUARANTORS AND THE LESSEES.

Parent Guarantor represents and warrants that (i) all representations and warranties set forth in the Parent Guaranty, as amended, are true and correct as of the date hereof and are incorporated herein by reference with the same force and effect as though herein set forth in full, (ii) no Incipient Default or Event of Default exists, (iii) the consolidated balance sheet of Parent Guarantor and its Subsidiaries as of December 31, 1997 and the related consolidated statements of income, cash flows and common shareholders' equity for the fiscal year then ended, audited by Ernst & Young LLP, a copy of which has been delivered to each of the Certificate Purchasers, fairly present, in conformity with GAAP, the consolidated financial position of Parent Guarantor and its Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such fiscal year, and (iv) since December 31, 1997 there has been no Material Adverse Effect. The Lessees represent and warrant that (i) all representations and warranties set forth in the Lease, as amended, are true and correct as of the date hereof and are

incorporated herein by reference with the same force and effect as though herein set forth in full and (ii) no Incipient Default or Event of Default exists. The Subsidiary Guarantors represent and warrant that (i) all representations and warranties set forth in the Subsidiary Guaranty, as amended, are true and correct as of the date hereof and are incorporated herein by reference with the same force and effect as though herein set forth in full and (ii) no Incipient Default or Event of Default exists.

SECTION 4. ACKNOWLEDGMENT BY GUARANTORS.

The Subsidiary Guarantors and Parent Guarantor hereby acknowledge and agree to the amendments of the Original Agreements effected hereby and hereby ratify and re-affirm the Subsidiary Guaranty and the Parent Guaranty, as the case may be.

SECTION 5. AUTHORIZATION AND DIRECTION.

The Certificate Purchasers, by their execution hereof, authorize Certificate Trustee to execute and deliver this Amendment.

SECTION 6. CONDITIONS PRECEDENT

The effectiveness of the First Amendment shall be subject to the fulfillment by Parent Guarantor, Subsidiary Guarantors and the Lessees of the following conditions precedent:

Section 6.1. Lessees, Parent Guarantor, each Certificate Purchaser and Lessor shall have executed this Amendment and each Subsidiary Guarantor shall have acknowledged this Amendment.

Section 6.2. Lessor and each Certificate Purchaser shall have received evidence satisfactory to them that the Revolving Credit Facility has been duly executed.

Section 6.3. On or prior to June 1, 1998 (the "Effective Date"), Lessor and each Certificate Purchaser shall have received a Certificate of the Secretary or Assistant Secretary of each Lessee, dated the Effective Date, with respect to such Lessee's governing documents, resolutions and incumbent officers.

Section 6.4. On or prior to the Effective Date, Lessor and each Certificate Purchaser shall have received a certificate of the Secretary or Assistant Secretary of Parent Guarantor and each Subsidiary Guarantor, dated the Effective Date, with respect to Parent Guarantor's or such Subsidiary Guarantor's, as the case may be, governing documents, resolutions and incumbent officers.

Section 6.5. On or prior to the Effective Date, Lessor and each Certificate Purchaser shall have received the opinions of (a) General Counsel of Lessees, Parent Guarantor and

Subsidiary Guarantors, satisfactory in form and substance to Lessor and each Certificate Purchaser, and (b) Chapman and Cutler, special counsel to the Certificate Purchasers.

SECTION 7. FEES AND EXPENSES

Parent Guarantor agrees to pay all the reasonable fees and expenses of the Certificate Purchasers in connection with the negotiation, preparation, approval, execution and delivery of this Amendment (including the fees and expenses of their special counsel).

SECTION 8. MISCELLANEOUS.

Section 8.1.Construction. This Amendment shall be construed in connection with and as part of the Original Agreements, and except as modified and expressly amended by this Amendment, all terms, conditions and covenants contained in the Original Agreements are hereby ratified and shall be and remain in full force and effect.

Section 8.2.References. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Amendment may refer to the Original Agreements without making specific reference to this Amendment but nevertheless all such references shall be deemed to include this Amendment unless the context otherwise requires.

Section 8.3.Headings and Table of Contents. The headings of the Sections of this Amendment and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof and any reference to numbered Sections, unless otherwise indicated, are to Sections of this Amendment.

Section 8.4.Counterparts. This Amendment may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Amendment.

SECTION 8.5.GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS (EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE).

SCHEDULE V.1(A)
PART (A)

PRICING GRID

Level	Applicable Leverage Ratio	Spread
I	Less than or equal to 2.0 to 1.0	.50%
II	Greater than 2.0 to 1.0 but less than or equal to 2.5 to 1.0	.60%
III	Greater than 2.5 to 1.0 but less than or equal to 3.0 to 1.0	.65%
IV	Greater than 3.0 to 1.0 but less than or equal to 3.5 to 1.0	.875%
V	Greater than 3.5 to 1.0 but less than or equal to 4.0 to 1.0	1.125%
VI	Greater than 4.0 to 1.0	1.375%

(a) Applicable Leverage Ratio means, at any date, the Leverage Ratio as at the last day of the fiscal quarter of Parent Guarantor most recently ended prior to such date, for which Parent Guarantor has delivered financial statements pursuant to clause (t)(i) or (t)(ii) of Article IV of the Parent Guaranty, as the case may be, together with the duly executed compliance certificate required by clause (t)(3) of Article IV; provided that if Parent Guarantor shall fail to timely deliver the financial statements required to be delivered by it pursuant to clause (t)(i) or (t)(ii) of Article IV of the Parent Guaranty, as the case may be, together with the duly executed compliance certificate required by clause (t)(3) of Article IV of the Parent Guaranty, the Applicable Leverage Ratio for each date from and including the date on which such statements are required to be delivered until the date on which such statements are delivered shall be deemed to be greater than 4.0:1.

(b) It is expressly agreed that through and including the Initial Delivery Date, the Applicable Margin Rate shall be such rates as determined in accordance with paragraph (a) above but shall be no less than the respective amounts set forth under Level IV of Part (A) of Schedule V.1(A) to the Lease. It is expressly agreed that after the Initial Delivery Date until such time as Parent Guarantor's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Margin shall be determined based upon Part (A) of

Schedule V.1(A) to the Lease, and for the period thereafter when a Debt Rating is in effect, the Applicable Margin shall be the respective amounts determined under Part (B) of Schedule V.1(A) to the Lease.

SCHEDULE V.1(A) - Part (B) - 1

SCHEDULE V.1(A)
PART (B)

PRICING GRID

Level	Debt Rating [S&P and Moody's, respectively]	Spread
I	A- or above or A3 or above	.275%
II	BBB+ or Baa1	.325%
III	BBB or Baa2	.375%
IV	BBB- or Baa3	.500%
V	BB+ or Ba1	.65%
VI	BB or below or Ba2 or below	.950%

For purposes of determining the Applicable Margin:

(a) Through and including the Initial Delivery Date, the Applicable Margin shall be such rates as determined in accordance with paragraph (b) below but shall be no less than the respective amounts set forth under Level IV of Part (A) of Schedule V.1(A) to the Lease. It is expressly agreed that after the Initial Delivery Date until such time as Parent Guarantor's senior unsecured long-term debt, on a consolidated basis, has been rated Investment Grade, the Applicable Margin shall be determined based upon Part (A) of Schedule V.1(A) to the Lease, and for the period thereafter when a Debt Rating is in effect, the Applicable Margin shall be the indicated percentage set forth in the Pricing Grid above for the higher of the Moody's rating or the Standard & Poor's rating then in effect for Parent Guarantor; provided, however, that if the Moody's and Standard & Poor's ratings, respectively, differ by more than two levels, then the pricing level shall be the average of the pricing determined at each such Debt Rating Level.

(b) If this Part (B) of Schedule V.1(A) to the Lease is applicable, any change in the Applicable Margin shall become effective five (5) Business Days after any public announcement of the change in the Debt Rating requiring such an increase or decrease.

IN WITNESS WHEREOF, the Lessees, Parent Guarantor, the Subsidiary Guarantors, Certificate Trustee and the Certificate Purchasers have caused this instrument to be executed, all as of the day and year first above written.

LESSEES
APOGEE COAL COMPANY

By /s/ Mark A. Luzecky

Its Attorney-In-Fact

CATENARY COAL COMPANY

By /s/ Mark A. Luzecky

Its Vice President and Treasurer

HOBET MINING, INC.

By /s/ Mark A. Luzecky

Its Vice President and Treasurer

PARENT GUARANTOR
ARCH COAL, INC.

By /s/ Patrick A. Kriegshauser

Its Senior Vice President

CERTIFICATE PURCHASERS
GREAT-WEST LIFE & ANNUITY
INSURANCE COMPANY

By /s/ James G. Lowery

Its Assistant Vice President
Investments

By /s/ Wayne T. Hoffmann

Its Vice President
Investments

BANK OF MONTREAL

By /s/ Ian M. Plester

Its Director

BARCLAYS BANK PLC

By /s/ Carol A. Cowan

Its Director

FIRST UNION NATIONAL BANK

By /s/ Laurence M. Levy

Its Vice President

BA LEASING & CAPITAL CORPORATION

By /s/ Albert Z. Norona

Its Vice President

CERTIFICATE TRUSTEE/
LESSOR

FIRST SECURITY BANK NATIONAL
ASSOCIATION, not in its
individual capacity except as
solely provided herein, but
solely as Certificate Trustee,
as Lessor

By /s/ Nancy M. Dahl

Its Vice President

SUBSIDIARY GUARANTORS

ARCH COAL SALES COMPANY, INC.

By /s/ Mark A. Luzecky

Its Treasuer

ARK LAND COMPANY

By /s/ Mark A. Luzecky

Its Attorney-In-Fact

MINGO LOGAN COAL COMPANY

By /s/ Mark A. Luzecky

Its Vice President and Treasurer