

SUMMARY OF MATERIAL MODIFICATION

(QUICK REFERENCE TO HIGHLIGHTS OF PLAN PROVISIONS)

**The Catastrophic Group Health Plan for Salaried Employees
Terminated Through a Reduction in the Work Force
Summary of Material Modification**

This notice, called a "Summary of Material Modification" (SMM), advises you of a change in the information presented in your summary plan description (sometimes called an "SPD") with respect to the Plan. Please do three things: (1) Read this summary, and, if you have any questions, contact the Plan Administrator; (2) Keep this summary with your summary plan description; (3) Mark the section of your summary plan description that has been changed so that when you look at that section of your summary plan description, you will be reminded that the change described in this summary has occurred.

The catastrophic plan offers prescription drug benefits and financial protection against major medical care expenses at an affordable cost to you. Enclosed is a summary plan description, and a brochure called *What's New for 1998*, that describe the benefits of the plan. However, special eligibility rules apply if you are terminated through the reduction in the work force occurring during 1998. The special eligibility rules are described in this summary.

When Your Coverage Ends Under the Peabody Group Health Plan for Salaried Employees

If you are a salaried employee who has been terminated through a reduction in the work force, you may continue coverage under the Peabody Group Health Plan for Salaried Employees for three calendar months after the end of the month in which your employment terminates, provided you pay the required contributions. At the end of this three-month period, you may be eligible to purchase a temporary extension of your coverage under the COBRA continuation provisions of the plan. "COBRA" refers to the Consolidated Omnibus Budget Reconciliation Act of 1985; a law containing provisions for certain extensions of employee health care benefits after employment ends. The catastrophic plan is available as an alternative to COBRA as a means of extending your medical coverage, if you are eligible as described in the following section.

Eligibility and Enrollment (page 7 of the SPD)

As a terminated salaried employee, you are eligible for medical and prescription drug benefits if all of the following apply:

- You are terminated through the reduction in work force occurring in 1998.
- You have agreed to the Voluntary Separation Agreement.
- On the date your employment terminates, you are age 50 or older and have at least 10 years of active service with the company.
- You are not eligible to retire.
- You are not eligible for Medicare.
- You are enrolled for coverage under the Peabody Group Health Plan for Salaried Employees on the date your employment terminates.
- You do not elect to continue coverage under the COBRA continuation-of-coverage provisions of the Peabody Group Health Plan for Salaried Employees.
- You enroll for this plan and pay the required contributions for coverage on a timely basis.

Eligibility for your dependents

You may also obtain coverage for your eligible dependents, if they were covered by the Peabody Group Health Plan for Salaried Employees on the date your employment terminates and they are not eligible for Medicare.

Enrollment

To participate in the catastrophic plan, you must enroll and pay the required contributions within 31 days after the date your coverage ends under the Peabody Group Health Plan for Salaried Employees. If you do not enroll and pay the required contributions within the 31-day period, you will not be able to obtain coverage at any future time.

The cost of your coverage

You will be required to pay a portion of the cost for coverage under the catastrophic plan. Your contribution amount depends on the number of family members you elect to cover. For 1998, the monthly contribution rates are shown on this table:

Coverage Category	Monthly Rate
Yourself only	\$33.50
Yourself Plus One Dependent	\$66.93
Yourself Plus Two or More Dependents	\$100.45

You will share in any cost increases in subsequent years.

Contribution payments are due on the first of each month. Your checks should be made payable to Peabody Holding Company, Inc. and submitted to Mary Ellen Moeser at 701 Market Street, Suite 700, St. Louis, Missouri 63101. If your monthly contribution payment is not received by the first day of the month for which it is due, your coverage will end and may not be reinstated.

Coordination of Benefits (page 35 of the SPD)

If you are or become covered under another employer-sponsored group health plan, you may still participate in the catastrophic plan as long as you are otherwise eligible as described above. However, catastrophic plan benefits are reduced by the amount paid by any other medical plan.

When Coverage Ends (page 36 of the SPD)

Your coverage under the catastrophic plan will end on the date the earliest of the following occurs:

- You become eligible to enroll for Medicare.
- You fail to pay the required contributions when due. (Coverage will terminate at the end of the month for which the last contribution was paid on a timely basis).
- The plan is terminated.

If you die while covered by this plan, or your coverage ends because you become eligible for Medicare, your spouse may continue coverage until he or she is eligible to enroll for Medicare as long as the plan is continued and the required contributions are paid.

Your dependent children are eligible as long as you or your spouse is covered and they continue to meet the definition of an eligible dependent.

If your dependents' coverage ends, they may be eligible to purchase an extension of coverage under the COBRA continuation provisions of the plan. This extension will end 36 months from the earlier of (1) the date of your death, (2) the date you became entitled to Medicare, or (3) the date of the event that caused the loss of coverage. Coverage may terminate on an earlier date as described in the COBRA provisions of the plan booklet.

The benefit plan is operated according to the terms of legal documents. If there is a difference between this summary or the summary plan description booklet and the actual plan document, the plan document will govern. This summary is not a substitute for the official plan documents nor is it an employment contract.

The company reserves the right to amend or terminate the plan in whole or in part at any time.

This document is a "summary of material modification" and is part of your summary plan description booklet. It should be kept with your other booklets.