



OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS

Lisa Madigan
ATTORNEY GENERAL

March 21, 2016

Sent via Email and U.S. Mail

Glenn Kellow
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James Tichenor
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A. Verona Dorch
Exec. Vice President & Chief Legal Officer
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RE: *Request for Public Release of Financial Information Relating to Self Bonding of Peabody Energy's Illinois Mining Operations*

Dear Mr. Kellow, Ms. Dorch and Mr. Tichenor:

Due to recent developments regarding the financial condition of Peabody Energy Corporation ("Peabody Energy") and Peabody Investments Corporation (collectively, "Peabody"), I have significant concerns about Peabody's ability to fulfill its self-bonding obligations to the State of Illinois. Because Peabody's \$92 million in mine reclamation commitments are critical to the State and many communities in Illinois, I request that Peabody publicly disclose financial information that is sufficient to allow legislators and local officials and residents in potentially impacted communities to assess whether Peabody can fulfill its self-bonding responsibilities.

Last week, in its March 16, 2016 SEC 10-K filing, Peabody Energy disclosed that the company "may not have sufficient liquidity to sustain operations and to continue as a going concern." The filing also states that Peabody has exercised a 30-day grace period for payment of interest on certain bonds, and the company may soon fail to meet multiple requirements of its 2013 Credit Facility. Based on this current financial condition, I am concerned that Peabody's



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self-bonds fail to provide protection consistent with the objectives and purposes of the Illinois Surface Coal Mining Land Conservation and Reclamation Act, 225 ILCS 720/1.01 *et seq.* See Exhibit A, Peabody Arclar Company Self-Bond Agreement, at 4.

As Peabody Energy noted in the March 16, 2016 SEC 10-K filing, “self-bonding is permitted at the discretion of each state” and the company’s “self-bonding status may be challenged or withdrawn at any time.” Further, as the 10-K notes, the U.S. Office of Surface Mining Reclamation and Enforcement “recently issued notices to one or more states alleging possible violations relating to the continued self-bonding by coal companies, including [Peabody Energy], in that state.” Based on these facts, it is important that policy makers in Illinois have an opportunity to review detailed financial information and assess whether Peabody’s continued self-bonding provides sufficient protection.

The need for appropriate reclamation bonding is not an abstract issue for the citizens of Illinois. In 1999, the Illinois Attorney General’s Office, at the request of the Illinois Environmental Protection Agency, filed a complaint in the Illinois Pollution Control Board against Peabody Coal Company. Operations at one of Peabody’s mines contaminated the groundwater supply of the Saline Valley Conservancy District, the public water supply for over 27,000 people in 4 counties. Peabody is now long gone from the mine but, after many years of litigation, a new owner is still performing work to address Peabody’s contamination.

Based on Peabody’s current financial condition and the importance of its ability to meet its \$92 million in reclamation obligations in Illinois, I ask that you respond to this request by providing the information described below to us by the close of business on Wednesday, March 23, 2016.

I request that Peabody provide the following information.

- (1) A detailed explanation of how Peabody intends to meet its \$92 million in Illinois mine reclamation obligations in light of Peabody’s current financial condition.
- (2) Financial information to establish that Peabody Investments Corporation meets minimum financial requirements for self-bonding in Illinois. This includes, but is not limited to, Peabody Investments Corporation’s financial statements for the most recently completed fiscal year accompanied by a report prepared by an independent certified accountant in conformity with generally accepted principles and containing the accountant’s audit opinion or review opinion of the financial statements with no adverse opinion, as well as Peabody Investments Corporation’s most recent unaudited financial statements.
- (3) Peabody has submitted information to the Illinois Department of Natural Resources (“Department”) to support its initial applications for self-bonding at its Illinois mine sites and has provided annual and quarterly updated supplemental financial information to the Department. When Peabody Energy and Peabody Investments

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Corporation submitted this financial information to the Department, they marked it as “confidential financial information”. I request that Peabody Energy and Peabody Investments Corporation make this information publicly available so that the policy makers and residents may evaluate whether Peabody’s self-bonds provide protection consistent with the objectives and purposes of the Illinois Surface Coal Mining Land Conservation and Reclamation Act.

- (4) A written explanation of how Peabody intends to meet its Illinois reclamation bonding obligations during the course of potential bankruptcy proceedings and how Peabody intends to make sure that use of Peabody Investments Corporation’s assets to pay for reclamation obligations is prioritized.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Lisa Madigan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Lisa Madigan
Attorney General

cc: Sally Jewell, Secretary, U.S. Department of the Interior
Janice Schneider, Assistant Secretary, U.S. Department of the Interior
Neil Kornze, Director, U.S. Bureau of Land Management
Joe Pizarchik, Director, U.S. Office of Surface Mining Reclamation and Enforcement
Wayne Rosenthal, Director, Illinois Department of Natural Resources