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PEABODY ENERGY CORP
Form 11-K
June 28, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ending DECEMBER 31, 2001

Commission File Number 1-16463

Full title of the plan and the address of the plan, if different from that of
the issuer named below:

LEE RANCH COAL COMPANY RETIREMENT AND
SAVINGS PLAN FOR SALARIED EMPLOYEES

Name of issuer of the securities held pursuant to the plan and the address of
its principal executive office:

PEABODY ENERGY CORPORATION

701 MARKET STREET, ST. LOUIS, MISSOURI

63101-1826

(Address of principal executive offices)

(Zip Code)

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Lee Ranch Coal Company Retirement and Savings Plan
for Salaried Employees

Statements of Net Assets Available for Benefits - Unaudited

December 31, 2001 and 2000

| | 2001 | 2000 |
|--|--------------|--------------|
| | ----- | ----- |
| ASSETS | | |
| Investments, at fair value: | | |
| Investment in mutual funds | \$ 3,973,492 | \$ 4,161,694 |
| Investment in common/collective trusts | 2,107,856 | 1,783,912 |
| Participant notes receivable | 514,295 | 490,091 |
| | ----- | ----- |
| Total investments | 6,595,643 | 6,435,697 |
| Receivables: | | |
| Receivable from Lee Ranch Coal Company Retirement and Savings Plan for Hourly Employees | -- | 204,400 |
| | ----- | ----- |
| Total receivables | -- | 204,400 |
| | ----- | ----- |
| Net assets available for benefits | \$ 6,595,643 | \$ 6,640,097 |
| | ===== | ===== |

See accompanying unaudited notes.

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Lee Ranch Coal Company Retirement and Savings Plan
for Salaried Employees

Statements of Changes in Net Assets Available for Benefits - Unaudited

Years ended December 31, 2001 and 2000

| | 2001 | 2000 |
|---|------------|--------|
| | ----- | ----- |
| ADDITIONS | | |
| Interest and dividends - investments | \$ 193,249 | \$ 439 |
| Interest income - participant loans | 46,534 | 44 |
| Net realized/unrealized depreciation of investments | (669,757) | (669) |
| | ----- | ----- |

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| | | |
|--|--------------|----------|
| Net investment loss | (429,974) | (186) |
| Contributions: | | |
| Employer | 129,964 | 126 |
| Participant | 321,517 | 284 |
| Rollover | -- | 262 |
| | ----- | ----- |
| Total contributions | 451,481 | 673 |
| Transfers in (out) | (10,053) | 208 |
| | ----- | ----- |
| Total additions | 11,454 | 696 |
| DEDUCTIONS | | |
| Withdrawals by participants | (55,098) | (69) |
| Other expenses | (810) | |
| | ----- | ----- |
| Total deductions | (55,908) | (70) |
| | ----- | ----- |
| Net increase (decrease) in net assets available for benefits | (44,454) | 626 |
| Net assets available for benefits at beginning of year | 6,640,097 | 6,014 |
| | ----- | ----- |
| Net assets available for benefits at end of year | \$ 6,595,643 | \$ 6,640 |
| | ===== | ===== |

See accompanying unaudited notes.

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Lee Ranch Coal Company Retirement and Savings Plan
for Salaried Employees

Notes to Unaudited Financial Statements

Years ended December 31, 2001 and 2000

1. DESCRIPTION OF THE PLAN

The following description of the Lee Ranch Coal Company (the Company) Retirement and Savings Plan for Salaried Employees (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

GENERAL

The Plan is a defined contribution plan covering all salaried employees of the Company who have completed 30 days of service, and all employees that previously participated in the Santa Fe Pacific Coal Company Retirement and Savings Plan for Salaried Employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective January 1, 2001, employees are eligible for participation in the Plan on the date of their employment or at any time afterward.

The Plan allows participants to invest among several mutual funds and common/collective trusts. Effective October 2001, the Plan allows participants to invest in the Peabody Energy Stock Fund, as a result of Peabody Energy

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Corporation's initial public offering of common stock in May 2001. All investments in the Plan are participant directed.

CONTRIBUTIONS

Each year, participants may contribute up to 16 percent of pretax or after-tax annual compensation, as defined in the Plan. Participants direct the investment of their contributions into various investment options offered by the Plan.

The Company makes matching contributions of an amount equal to 100 percent of the first 4 percent of compensation that a participant contributes to the Plan on a pretax basis. After a participant's pretax contributions reach the pretax limit established by the IRS, the Company makes matching contributions of an amount equal to 100 percent of the first 4 percent of compensation that a participant contributes to the Plan on an after-tax basis. Matching contributions are made in cash each pay period, and are invested according to the employee's investment elections.

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Lee Ranch Coal Company Retirement and Savings Plan for Salaried Employees

Notes to Unaudited Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING

Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in employer matching contributions is based on years of continuous service. Employer matching contributions become 20 percent vested for each year of service until 100 percent vested after the fifth year of service. A year of service is defined as any 12-month period during which the employee completes at least 1,000 hours of service.

PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their account balance. The loans are secured by the balance in the participant's account and bear interest at rates commensurate with the prime interest rate as published in the Wall Street Journal on the first business day of the month in which the loan was made. Principal and interest is paid ratably through payroll deductions.

PAYMENT OF BENEFITS

On termination of service due to death, disability or retirement, a participant

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may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

FORFEITED ACCOUNTS

Employer contributions are reduced by forfeitures of non-vested amounts. The forfeiture credits amount to \$2,768 and \$5,548 for the years ended December 31, 2001 and 2000, respectively.

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Lee Ranch Coal Company Retirement and Savings Plan for Salaried Employees

Notes to Unaudited Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

PLAN TERMINATION

Although there has been no expressed intention to do so, the Company has the right to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, as defined, each participant would become fully vested in the employer matching contributions.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Plan are paid by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Plan are prepared under the accrual method of accounting.

USE OF ESTIMATES

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

VALUATION OF INVESTMENTS AND INCOME RECOGNITION

The Plan's investments are stated at fair value. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Units in common/collective trust are valued at net asset value at year-end. Participant loans are valued at cost, which approximates market value.

Purchases and sales are recorded on a trade date basis. Interest income is recorded when earned. Dividends are recorded on the ex-dividend date.

Lee Ranch Coal Company Retirement and Savings Plan
for Salaried Employees

Notes to Unaudited Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PAYMENT OF BENEFITS

Benefits are recorded when paid.

RECLASSIFICATION

Certain amounts in the 2000 financial statements have been reclassified to conform to the 2001 presentation.

3. INVESTMENTS

The Plan's investments are held by the Vanguard Fiduciary Trust Company (the Trustee). The Trustee has certified information related to investments as complete and accurate.

The Plan's investments (including investments purchased or sold, as well as held during the year) appreciated (depreciated) in fair value as determined by quoted market prices as follows:

| | YEAR ENDED DECEMBER 31, | |
|--------------|-------------------------|--------------|
| | 2001 | 2000 |
| | ----- | ----- |
| Mutual funds | \$ (669,757) | \$ (663,246) |
| Common stock | -- | (6,002) |
| | ----- | ----- |
| | \$ (669,757) | \$ (669,248) |
| | ===== | ===== |

Investments that represent 5 percent or more of fair value of the Plan's net assets at December 31, are as follows:

| | 2001 | 2000 |
|--------------------------------|--------------|--------------|
| | ----- | ----- |
| Mutual funds: | | |
| Vanguard 500 Index Fund | \$ 1,522,576 | \$ 1,683,118 |
| Vanguard Prime Money Market | 567,166 | -- |
| Vanguard U.S. Growth Portfolio | 557,102 | 814,018 |

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| | | |
|-----------------------------------|-----------|-----------|
| Vanguard Wellington Fund | 365,231 | 340,947 |
| Vanguard Windsor II Fund | 408,403 | 472,937 |
| Common/Collective trust: | | |
| Vanguard Retirement Savings Trust | 2,107,856 | 1,783,912 |

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Lee Ranch Coal Company Retirement and Savings Plan
for Salaried Employees

Notes to Unaudited Financial Statements (continued)

4. INCOME TAX STATUS

The Plan has received a determination letter from the Internal Revenue Service dated January 2, 1996, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan was amended subsequent to the IRS determination letter. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt. The Plan has applied for a new determination letter.

5. SUBSEQUENT EVENTS

Effective April 1, 2002, participants may contribute, subject to limitations of applicable law, up to 50 percent of pretax or after-tax annual compensation, as defined in the Plan.

Also effective April 1, 2002, in the calendar year that a participant is age 50 or older and each year thereafter, certain participants meeting additional specific criteria will be permitted to make catch-up contributions to the Plan. Participants will be able to contribute amounts over and above the maximum otherwise permitted by the Plan, subject to certain limitations.

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Lee Ranch Coal Company Retirement and Savings Plan
For Salaried Employees
Employer ID #13-2871045
Plan #103
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2001

IDENTITY OF ISSUE

DESCRIPTION OF INVESTMENT TYPE

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| | |
|---|--|
| Gabelli Growth Fund* | 716 shares of mutual funds |
| Janus Investment Fund* | 1,030 shares of mutual funds |
| Janus Worldwide Fund* | 124 shares of mutual funds |
| T. Rowe Price Science/Technology Fund* | 3,673 shares of mutual funds |
| Vanguard 500 Index Fund* | 14,379 shares of mutual funds |
| Vanguard Explorer Fund* | 2,504 shares of mutual funds |
| Vanguard International Growth Fund* | 13,804 shares of mutual funds |
| Vanguard LifeStrategy Conservative Growth Fund* | 1,113 shares of mutual funds |
| Vanguard LifeStrategy Growth Fund* | 872 shares of mutual funds |
| Vanguard LifeStrategy Income Fund* | 508 shares of mutual funds |
| Vanguard LifeStrategy Moderate Growth Fund* | 985 shares of mutual funds |
| Vanguard Prime Money Market* | 567,166 shares of mutual funds |
| Vanguard Total Bond Market Index Fund* | 1,338 shares of mutual funds |
| Vanguard U.S. Growth Portfolio* | 29,554 shares of mutual funds |
| Vanguard Wellington Fund* | 13,398 shares of mutual funds |
| Vanguard Windsor II Fund* | 15,960 shares of mutual funds |
| Vanguard Retirement Savings Trust* | 2,107,856 shares of common/collectiv |
| Participant Loans | Participant loans, interest rates fr 9.5%, maturities through 4/11/2016 |

*Parties-in-interest

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the plan administrator of the Lee Ranch Coal Company Retirement and Savings Plan for Salaried Employees has duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized.

Lee Ranch Coal Company
Retirement and Savings
Plan for Salaried Employees

Date: June 28, 2002

By: /s/ SHARON D. FIEHLER

Sharon D. Fiehler
Peabody Energy Corporation
Executive Vice President,
Human Resources & Administration

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