

MEMORANDUM

To: All Option Members, Member Organizations and ROTs
 From: Market Watch
 Date: October 24, 2007
 Re: **Peabody Energy Corp. (BTU) - Stock Distribution**

Peabody Energy Corp. (BTU) has declared a distribution of Common Shares of Patriot Coal Corporation (PCX) to BTU shareholders of record, October 22, 2007. Distribution will be Wednesday, October 31, 2007. **Ex-distribution is November 1, 2007.** The distribution will be 0.10 shares of Patriot Coal Corporation per share of Peabody Energy Corp.

Accordingly, pursuant to OCC By-Laws, all BTU options on the ex-distribution date must be adjusted as follows:

Adjustment Date: **Effective Thursday, November 1, 2007.**
 Symbol(s): **BTU/ZZT/LLW becomes PWU/XZV/LXX**
 Strike Price: Unchanged
 Multiplier: 100 (e.g., Premium of 1.00 = \$100)
 New Deliverable: **1) 100 Shares of Peabody Energy Corp. (BTU)**
2) 10 Shares of Patriot Coal Corporation (PCX)

GOOD-TILL-CANCELLED (GTC) ORDERS

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the ex-distribution or effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Peabody Energy Corp. (BTU) (Before 11/1/2007) (100 shrs BTU)					Peabody Energy Corp. (PWU) (Beginning 11/1/2007) (See New Deliverable Above)				
			Calls	Puts				Calls	Puts
BTU	NOV	30	KF	WF	PWU	NOV	30	KF	WF
BTU	NOV	35	KG	WG	PWU	NOV	35	KG	WG
BTU	NOV	40	KH	WH	PWU	NOV	40	KH	WH
BTU	NOV	45	KI	WI	PWU	NOV	45	KI	WI
BTU	NOV	50	KJ	WJ	PWU	NOV	50	KJ	WJ
BTU	NOV	55	KK	WK	PWU	NOV	55	KK	WK
BTU	NOV	60	KL	WL	PWU	NOV	60	KL	WL
BTU	NOV	65	KM	WM	PWU	NOV	65	KM	WM
BTU	NOV	70	KN	WN	PWU	NOV	70	KN	WN
BTU	DEC	25	LE	XE	PWU	DEC	25	LE	XE
BTU	DEC	30	LF	XF	PWU	DEC	30	LF	XF
BTU	DEC	35	LG	XG	PWU	DEC	35	LG	XG
BTU	DEC	40	LH	XH	PWU	DEC	40	LH	XH
BTU	DEC	45	LI	XI	PWU	DEC	45	LI	XI
BTU	DEC	50	LJ	XJ	PWU	DEC	50	LJ	XJ
BTU	DEC	55	LK	XK	PWU	DEC	55	LK	XK
BTU	DEC	60	LL	XL	PWU	DEC	60	LL	XL
BTU	DEC	65	LM	XM	PWU	DEC	65	LM	XM
BTU	DEC	70	LN	XN	PWU	DEC	70	LN	XN
BTU	JAN	25	AE	ME	PWU	JAN	25	AE	ME
BTU	JAN	30	AF	MF	PWU	JAN	30	AF	MF
BTU	JAN	35	AG	MG	PWU	JAN	35	AG	MG
BTU	JAN	40	AH	MH	PWU	JAN	40	AH	MH
BTU	JAN	45	AI	MI	PWU	JAN	45	AI	MI
BTU	JAN	50	AJ	MJ	PWU	JAN	50	AJ	MJ
BTU	JAN	55	AK	MK	PWU	JAN	55	AK	MK

Peabody Energy Corp. (BTU) (Before 11/1/2007) (100 shrs BTU)					Peabody Energy Corp. (PWU) (Beginning 11/1/2007) (See New Deliverable Above)				
			Calls	Puts				Calls	Puts
BTU	JAN	60	AL	ML	PWU	JAN	60	AL	ML
BTU	JAN	65	AM	MM	PWU	JAN	65	AM	MM
BTU	JAN	70	AN	MN	PWU	JAN	70	AN	MN
BTU	JAN	75	AO	MO	PWU	JAN	75	AO	MO
BTU	JAN	80	AP	MP	PWU	JAN	80	AP	MP
BTU	JAN	85	AQ	MQ	PWU	JAN	85	AQ	MQ
BTU	JAN	90	AR	MR	PWU	JAN	90	AR	MR
BTU	MAR	25	CE	OE	PWU	MAR	25	CE	OE
BTU	MAR	30	CF	OF	PWU	MAR	30	CF	OF
BTU	MAR	35	CG	OG	PWU	MAR	35	CG	OG
BTU	MAR	40	CH	OH	PWU	MAR	40	CH	OH
BTU	MAR	45	CI	OI	PWU	MAR	45	CI	OI
BTU	MAR	50	CJ	OJ	PWU	MAR	50	CJ	OJ
BTU	MAR	55	CK	OK	PWU	MAR	55	CK	OK
BTU	MAR	60	CL	OL	PWU	MAR	60	CL	OL
BTU	MAR	65	CM	OM	PWU	MAR	65	CM	OM
BTU	JUN	30	FF	RF	PWU	JUN	30	FF	RF
BTU	JUN	35	FG	RG	PWU	JUN	35	FG	RG
BTU	JUN	40	FH	RH	PWU	JUN	40	FH	RH
BTU	JUN	45	FI	RI	PWU	JUN	45	FI	RI
BTU	JUN	50	FJ	RJ	PWU	JUN	50	FJ	RJ
BTU	JUN	55	FK	RK	PWU	JUN	55	FK	RK
BTU	JUN	60	FL	RL	PWU	JUN	60	FL	RL
BTU	JUN	65	FM	RM	PWU	JUN	65	FM	RM
BTU	JUN	70	FN	RN	PWU	JUN	70	FN	RN
Peabody Energy Corp. - 2009 Leap (ZZT) (Before 11/1/2007) (100 shrs BTU)					Peabody Energy Corp. - 2009 Leap (XZV) (Beginning 11/1/2007) (See New Deliverable Above)				
			Calls	Put				Calls	Put
ZZT	JAN	30	AF	MF	XZV	JAN	30	AF	MF
ZZT	JAN	40	AH	MH	XZV	JAN	40	AH	MH
ZZT	JAN	50	AJ	MJ	XZV	JAN	50	AJ	MJ
ZZT	JAN	55	AK	MK	XZV	JAN	55	AK	MK
ZZT	JAN	60	AL	ML	XZV	JAN	60	AL	ML
ZZT	JAN	70	AN	MN	XZV	JAN	70	AN	MN
ZZT	JAN	80	AP	MP	XZV	JAN	80	AP	MP
ZZT	JAN	90	AR	MR	XZV	JAN	90	AR	MR
Peabody Energy Corp. - 2010 Leap (LLW) (Before 11/1/2007) (100 shrs BTU)					Peabody Energy Corp. - 2010 Leap (LXX) (Beginning 11/1/2007) (See New Deliverable Above)				
			Calls	Put				Calls	Put
LLW	JAN	20	AD	MD	LXX	JAN	20	AD	MD
LLW	JAN	30	AF	MF	LXX	JAN	30	AF	MF
LLW	JAN	40	AH	MH	LXX	JAN	40	AH	MH
LLW	JAN	50	AJ	MJ	LXX	JAN	50	AJ	MJ
LLW	JAN	60	AL	ML	LXX	JAN	60	AL	ML
LLW	JAN	70	AN	MN	LXX	JAN	70	AN	MN

Any additional BTU series that are added prior to the ex-date will also be adjusted in the manner described above.

The new BTU option contracts representing 100 shares of BTU, will be admitted to trading on Friday, November 2, 2007. Strike prices and expiration months will be announced on a separate release prior to that date.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-1508.