Item 5. Other Events.

On November 30, 2000, the Board of Directors of "old" Fluor Corporation ("Old Fluor") formally approved the distribution to the holders of common stock of Old Fluor (the "Distribution") of all of the common stock of "new" Fluor Corporation (the "Registrant"). The Distribution was accomplished by the declaration by the Board of Directors of Old Fluor of a special dividend payable to each holder of record of Old Fluor's common stock at the close of business on November 30, 2000 (the "Record Date") of one share of the Registrant's common stock for every share of Old Fluor's common stock held by such holder at the close of business on the Record Date. Old Fluor has received a ruling from the Internal Revenue Service to the effect that the Distribution will be tax-free to Old Fluor and its shareholders.

As a result of the Distribution, Old Fluor has been separated into two independent publicly traded companies: the Registrant and Old Fluor, now known as Massey Energy Company. The Registrant is a leading professional services company offering a diverse range of value-added, knowledge-based services, from traditional engineering, procurement and construction to total asset management. Massey Energy Company is a leader in the U.S. coal industry that produces high-quality, low sulfur coal for electric-generation, steel-making and a variety of
Shares of the Registrant's common stock are listed on the New York Stock Exchange, Inc. (the "NYSE") under the temporary symbol "FLRWI". On and after December 22, 2000, shares of the Registrant's common stock will trade on the NYSE under the symbol "FLR".

As a result of the Distribution, Old Fluor no longer has any ownership interest in the Registrant. In addition, the Registrant does not have any ownership interest in Old Fluor.

The Registrant and Old Fluor have entered into certain agreements governing the relationship between the Registrant and Old Fluor after the Distribution and providing for the allocation of tax, employee benefits and certain other assets and liabilities and obligations arising from periods prior to the Distribution, including contingent liabilities relating to certain litigation. The Registrant has also adopted several stock-based compensation plans in connection with the Distribution. Certain of these agreements and plans have been updated and are filed as Exhibits 10.1 to 10.4 to this Form 8-K.

Item 7. Financial Statements and Exhibits.

(b) Pro Forma Financial Information

The information included in the section of the Proxy Statement of Old Fluor, dated November 1, 2000 and attached as Annex A to the Form 10/A filed by New Fluor on November 21, 2000 (the "Proxy Statement"), entitled "New Fluor Corporation Unaudited Pro Forma Financial Statements" is incorporated herein by reference. A copy of the Proxy Statement is filed as Exhibit 99.1 to this Form 8-K. Readers should note that notwithstanding the legal form of the Distribution described above, whereby Old Fluor "spun-off" the Registrant, because of the relative significance of the Registrant's business to Old Fluor, the Registrant is being treated as the "accounting successor" to Old Fluor for financial reporting purposes.

(c) Exhibits

10.1* Distribution Agreement, dated as of November 30, 2000, between the Registrant and Massey Energy Company (formerly known as Fluor Corporation)

10.2** Tax Sharing Agreement, dated as of November 30, 2000, between the Registrant, Massey Energy Company (formerly known as Fluor Corporation) and A.T. Massey Coal Company, Inc.

10.3*** Fluor Corporation 2000 Executive Performance Incentive Plan

10.4**** Fluor Corporation 2000 Restricted Stock Plan for Non-Employee Directors

99.1 Proxy Statement of Old Fluor, dated November 1, 2000

* Supersedes form of agreement filed as Exhibit 10.1 to the Registrant's Form 10/A on November 21, 2000.

** Supersedes form of agreement filed as Exhibit 10.2 to the Registrant's Form 10/A on November 21, 2000.

*** Supersedes Exhibit 10.7 to the Registrant's Form 10/A filed on November 21, 2000.

**** Supersedes Exhibit 10.8 to the Registrant's Form 10/A filed on November 21, 2000.

Item 8. Change in Fiscal Year.
The Registrant has determined to change its fiscal year end from October 31 to December 31. The date of determination of such change was November 30, 2000. The Registrant will file on Form 10-Q a report covering the transition period between the fiscal year ending October 31, 2000 and the fiscal year beginning January 1, 2001.

SIGNATURE

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.

Date: December 7, 2000

FLUOR CORPORATION

By:   /s/ Lawrence N. Fisher

-----------------------------
Name:  Lawrence N. Fisher
Title: Senior Vice President - Law and Secretary
DISTRIBUTION AGREEMENT

dated as of

November 30, 2000

between

FLUOR CORPORATION,
a Delaware corporation
incorporated in 2000

and

FLUOR CORPORATION,
a Delaware corporation
incorporated in 1978
(to be renamed Massey Energy Company
on the Distribution Date described herein)

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DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT (the "Agreement") dated as of November 30, 2000 between Fluor Corporation, a Delaware corporation, which shall be renamed Massey Energy Company in connection with the transactions contemplated herein (together with its successors and permitted assigns, "Parent"), and Fluor Corporation, a Delaware corporation (together with its successors and permitted assigns, "New Fluor").

W I T N E S S E T H

WHEREAS, Parent acting through its direct and indirect subsidiaries currently conducts a number of businesses, including, without limitation, (i) provision of engineering, procurement and construction services, outsourcing and asset management solutions and business administration and support services (together with all other businesses now or formerly conducted by Parent and any of its subsidiaries, but excluding the Massey Business as defined below, the "Fluor Business") and (ii) mining, processing, brokering and selling coal (together with all other businesses now or formerly conducted by A.T. Massey Coal Company, Inc. or any of its subsidiaries, including, without limitation, Appalachian Synfuel, LLC, the "Massey Business");

WHEREAS, the Board of Directors of Parent has determined that it is in the best interest of Parent's shareholders, as well as of Parent and its businesses, to reorganize Parent by separating from Parent all businesses currently conducted by Parent other than the Massey Business and to cause such businesses to be owned and conducted, directly or indirectly, by New Fluor;

WHEREAS, in order to effect such separation, the Board of Directors of Parent has determined that it is appropriate, desirable and in the best interest of Parent's shareholders, as well as of Parent and its businesses, for Parent (i) to take certain steps to reorganize Parent's subsidiaries and businesses and (ii) to distribute to the holders of Parent's common stock, par value $0.625 per share, all of the outstanding shares of common stock of New Fluor as set forth herein in what the parties intend to be a tax-free distribution pursuant to Section 355 of the Internal Revenue Code;

WHEREAS, each of Parent and New Fluor has determined that it is...
necessary and desirable, on or prior to the Distribution Date (as defined herein), to allocate and transfer those assets and allocate and assign responsibility for those liabilities in respect of activities of the businesses of such entities;

WHEREAS, each of Parent and New Fluor has determined that it is necessary and desirable to set forth the principal corporate transactions required to effect such distribution and to set forth other agreements that will govern certain other matters following such distribution; and

WHEREAS, in connection with such distribution, Parent is concurrently herewith entering into a Tax Sharing Agreement dated as of the date hereof with New Fluor.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. As used herein, the following terms shall have the following meanings:

"Affiliate" means, with respect to any person, another person directly or indirectly controlling, controlled by or under common control with such person; provided, however, that for the purposes of this Agreement, no member of the Massey Group shall be deemed an Affiliate of any member of the New Fluor Group and vice versa.

"Agent" means ChaseMellon Shareholder Services, LLC, as distribution agent hereunder.

"Agreement" is defined in the preamble to this Agreement.

"Assets" means all assets of any nature whatsoever that would be reflected on a balance sheet of Parent as of the Distribution Date prepared in accordance with generally accepted accounting principles consistently applied and in accordance with existing management practices including, without limitation: all cash equivalents; accounts receivable; notes receivable; contract work in progress (costs and earnings in excess of billings); inventories; pre-paid taxes (current and non-current); property, plant and equipment; pension assets; goodwill (excess of cost over net assets of acquired companies); investments; and other current and non-current assets.

"Cumulative Cash Flow" is defined in Section 5.11 of this Agreement.

"Distribution" means the distribution contemplated by Section 2.02 of this Agreement.

"Distribution Date" means such date as shall be agreed upon by Parent and New Fluor on which the Distribution shall occur.

"Distribution Record Date" means the date set by the Board of Directors of Parent for the determination of holders of record of Parent Common Stock entitled to participate in the Distribution.

"DRIH Grid Note" means that certain note defined and described in Paragraph 2 of Schedule 5.06 to this Agreement.


"Fluor Business" is defined in the recitals to this Agreement.

"Fluor Executive Plans" means certain plans, funds and programs maintained by Parent and certain members of the New Fluor Group which are aimed at providing additional compensation, equity participation and other benefits for a select group of highly compensated management, executive employees and non-employee directors.

"Fluor Master Trust" means the Fluor Corporation and Subsidiary Employees' Master Trust, trustee by Bankers Trust of California, N.A.

"Fluor Insurance Policies" means certain insurance policies which provide property, workers compensation and employer liability, professional liability, builders risk, automobile liability, commercial general liability, directors and officers liability, fiduciary and political action committee liability and crime coverage for the benefit of the New Fluor Group and the Parent.

"Fluor Payroll Practices" means certain plans, funds and programs maintained by Parent and certain members of the New Fluor Group in the nature of payroll practices including, but not limited to, time off with pay, jury duty, family leave and other programs.

"Fluor Pension Benefit Plans" means certain "employee pension benefit plans" maintained by Parent and certain members of the New Fluor Group as defined in Title 29 U.S.C. Section 1002(2)(A).

"Fluor Plans" means collectively the Fluor Welfare Benefits Plans, the Fluor Pension Benefit Plans, the Fluor Executive Plans and the Fluor Payroll Practices.

"Fluor Welfare Benefit Plans" means certain "employee welfare benefit plans" maintained by Parent and certain members of the New Fluor Group as defined in Title 29 U.S.C. Section 1002(1).

"Grid Note" shall mean that note defined and described in paragraph 3 of Schedule 5.06 to this Agreement.

"Grid Note Accounts" means the Grid Note and the HQ Account existing as of the date hereof between the parties.

"Group" means either of the New Fluor Group and the Massey Group.

"HQ Account" shall mean that certain intercompany account defined and described in paragraph 1 of Schedule 5.06 of this Agreement.

"Indemnified Party" has the meaning ascribed to such term in Section 4.01 of this Agreement.

"Indemnifying Party" has the meaning ascribed to such term in Section 4.01 of this Agreement.

"Industry Standards" has the meaning set forth in Section 5.07 below.

"Liabilities" means all liabilities of any nature whatsoever that would be reflected on a balance sheet of Parent as of the Distribution Date.
prepared in accordance with generally accepted accounting principles consistently applied and in accordance with existing management practices including, without limitation: all trade accounts and notes payable; short-term debt; advance billings on contracts (billings and earnings in excess of costs); accrued salaries, wages and benefit plan liabilities; other accrued liabilities; income taxes payable; deferred taxes; long-term debt (other than the Public Debt); deferred taxes; minority interests and other current and non-current liabilities.

"Loss" (individually) or "Losses" (collectively) means all losses, damages, injuries, harm, detriment, declines in value, liabilities, exposures, claims, demands, proceedings, settlements, judgments, awards, punitive damage awards, fines, penalties, fees, charges, costs or expenses (including, without limitation, reasonable costs of attempting to avoid or in opposing the imposition thereof, interest, penalties, costs of preparation and investigation, and the reasonable fees, disbursements and expenses of attorneys, accountants and other professional advisors).

"Massey" means Parent, as it is renamed Massey Energy Company, following the Distribution.

"Massey Business" is defined in the recitals to this Agreement.

"Massey Debt Position" is defined in Section 5.11.

"Massey Executive Plans" means certain plans, funds and programs maintained by members of the Massey Group which are aimed at providing additional compensation, equity participation and other benefits for a select group of highly compensated management, executive employees and non-employee directors.

"Massey Group" means Massey and its subsidiaries as of the Distribution Date (including, without limitation, the entities listed on Schedule 2 hereto).

"Massey Indemnified Parties" has the meaning ascribed to such term in Section 3.01 of this Agreement.

"Massey Master Trust" means a master trust maintained by Massey Energy Company and Subsidiaries to be created with a reputable and financially sound institutional trustee to receive the assets of the Massey Pension Benefit Plans which are currently held by the Fluor Master Trust.

"Massey Payroll Practices" means certain plans, funds and programs maintained by members of the Massey Group in the nature of payroll practices including, but not limited to, time off with pay, jury duty, family leave and other programs.

"Massey Pension Benefit Plans" means certain "employee pension benefit plans" maintained by certain members of the Massey Group as defined in Title 29 U.S.C. Section 1002(2)(A).

"Massey Plans" means collectively the Massey Welfare Benefits Plans, the Massey Pension Benefit Plans, the Massey Executive Plans and the Massey Payroll Practices.

"Massey Welfare Benefits Plans" means certain "employee welfare benefit plans" maintained by members of the Massey Group as defined in Title 29 U.S.C. Section 1002(1).

"MPPAA" means the Multi-Employer Pension Plan Amendments Act of 1980, as amended.

"Net Cash Received" means actual cash received by Parent for
whatever purpose in excess of actual cash paid by Parent as evidenced by transactions appropriately recorded in the respective Grid Note Accounts by both the Parent and the Massey Group in accordance with existing cash management practices.

"Net Cash Paid" means actual cash paid by Parent for whatever purpose in excess of actual cash received by Parent as evidenced by transactions appropriately recorded in the respective Grid Note Accounts by both the Parent and the Massey Group in accordance with existing cash management practices.

"New Fluor" is defined in the preamble to this Agreement.

"New Fluor Common Stock" means the shares of common stock, par value $0.01 per share, of New Fluor.

"New Fluor Group" means New Fluor and its subsidiaries as of the Distribution Date (including, without limitation, the entities listed on Schedule 1 hereto).

"New Fluor Indemnified Parties" has the meaning ascribed to such term in Section 3.02 of this Agreement.

"Options" means those certain stock options, in the form of NQSOs, ISOs and SARs granted to officers and other key employees of Parent prior to the Distribution Date pursuant to the Fluor Executive Plans.

"Parent" is defined in the preamble to this Agreement.

"Parent Common Stock" means the issued and outstanding shares of common stock, par value $0.625 per share, of Parent.

"Proxy Statement" means the definitive proxy statement (and any amendments thereof or supplements thereto) to be distributed in connection with Parent's meeting of its stockholders to vote on the transactions contemplated hereby.


"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Spinoff Registration Documents" means the registration statement on Form 10, together with all exhibits, amendments and supplements thereto, filed with the SEC for the registration of the New Fluor Common Stock pursuant to the Exchange Act.

"Tax" means any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any governmental entity or political subdivision thereof, and any interest, penalties, additions to tax, or additional amounts in respect of or related to the foregoing.

"Tax Sharing Agreement" means the tax sharing agreement between Parent, New Fluor and A.T. Massey Coal Company, Inc., a Virginia corporation, entered into concurrently herewith.

"Transaction Expenses" are defined in Section 10.01 of this Agreement.
"Transfer Date" means the date upon which the transfer of the assets of the Massey Plans to be transferred from the Fluor Master Trust occurs as described in Section 7.04 below.

"Valuation Date" means the date upon which the value of the assets of the Massey Plans to be transferred from the Fluor Master to the Massey Master Trust occurs as described in Section 7.04 below.

ARTICLE II
THE DISTRIBUTION

Section 2.01. The Distribution. (a) On the terms and subject to the conditions of this Agreement and applicable law, Parent shall distribute to its shareholders of record as of the Distribution Record Date one share of New Fluor Common Stock for each share of Parent Common Stock held by the shareholders. All such distributed shares of New Fluor Common Stock shall be fully paid, non-assessable and free of preemptive rights.

(b) On the Distribution Date, Parent will deliver to the Agent a global certificate, representing the aggregate number of shares of New Fluor Common Stock to be distributed to the shareholders of Parent based upon the latest information from Agent. Such certificate shall be registered in the name of the Agent as agent for the shareholders of record of Parent common stock on the Distribution Record Date. As soon as Agent and Parent agree on the final list of shareholders of record as of the Distribution Record Date, Agent will deliver to shareholders stock certificates representing shares of New Fluor Common Stock. Shares represented by the global certificate in excess of the final number of shares to be distributed to shareholders of record will be cancelled.

Section 2.02. Securities Filings. (a) Prior to the Distribution, Parent and New Fluor shall file with the SEC the Spinoff Registration Documents to effect the registration of the New Fluor Common Stock pursuant to the Exchange Act. Parent and New Fluor shall use commercially reasonable efforts to cause the Spinoff Registration Documents to be declared effective under the Exchange Act as promptly as practicable.

(b) Parent and New Fluor shall take all such actions as may be necessary or appropriate under any applicable state securities or blue sky laws to effect the Distribution.

ARTICLE III
CROSS INDEMNIFICATION

Section 3.01. Indemnification by New Fluor. Subject to Section 3.03, on and after the Distribution Date, New Fluor shall indemnify and hold harmless the Massey Group and each of its directors, officers and Affiliates (the "Massey Indemnified Parties") from and against:

(a) all Losses of the Massey Indemnified Parties relating to, arising out of or due to, directly or indirectly, any breach of any provisions of this Agreement by New Fluor.

(b) all Losses of the Massey Indemnified Parties relating to, arising out of or due to any untrue statement or alleged untrue statement of a material fact concerning the New Fluor Group contained in the Spinoff Registration Documents or the Proxy Statement or any omission or alleged
omission to state therein a material fact concerning the New Fluor Group required to be stated therein or necessary in order to make the statements therein not misleading.

(c) all Losses of the Massey Indemnified Parties relating to, arising out of or due to any untrue statement or alleged untrue statement of a material fact concerning the New Fluor Group contained in any report of Parent filed prior to the Distribution Date under the Exchange Act, or in any filing made prior to the Distribution Date under the Securities Act by Parent, or the omission or alleged omission to state in any such report or filing a material fact concerning the New Fluor Group required to be stated therein or necessary in order to make the statements therein not misleading.

(d) all Losses of the Massey Indemnified Parties relating to, arising out of or due to any untrue statement of a material fact concerning the New Fluor Group contained in any report of Massey filed after the Distribution Date under the Exchange Act, or in any filing made after the Distribution Date under the Securities Act by Massey, or the omission or alleged omission to state therein a material fact concerning the New Fluor Group required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that New Fluor shall be ---

liable in any such case only to the extent that any such Losses arise out of or are based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any such report or filing in reliance upon and in conformity with written information furnished to Massey, its Affiliates or any of their respective representatives by or on behalf of New Fluor, its Affiliates or any of their respective representatives specifically for use in preparing such report or filing by Massey.

(e) all Losses of the Massey Indemnified Parties relating to, arising out of or due to, directly or indirectly, the Fluor Business, the operations and activities of DRIH Corporation or any other business conducted by the New Fluor Group, whether relating to, arising out of or due to occurrences or conditions prior to, on or after the Distribution Date, including, without limitation, those set forth on Schedule 3.01(d).

Section 3.02. Indemnification by Massey. Subject to Section 3.03, on and after the Distribution Date, Massey shall indemnify and hold harmless the New Fluor Group and each of its directors, officers and Affiliates (the "New Fluor Indemnified Parties") from and against:

(a) all Losses of the New Fluor Indemnified Parties relating to, arising out of or due to, directly or indirectly, any breach of any provisions of this Agreement by Massey.

(b) all Losses of the New Fluor Indemnified Parties relating to, arising out of or due to any untrue statement or alleged untrue statement of a material fact concerning the Massey Group contained in the Spinoff Registration Documents or the Proxy Statement or any omission or alleged omission to state therein a material fact concerning the Massey Group required to be stated therein or necessary in order to make the statements therein not misleading.

(c) all Losses of the New Fluor Indemnified Parties relating to, arising out of or due to any untrue statement or alleged untrue statement of a material fact concerning the Massey Group contained in any report of New Fluor filed prior to the Distribution Date under the Exchange Act, or in any filing made prior to the Distribution Date under the Securities Act by New Fluor, or the omission or alleged omission to state in any such report or filing a material fact concerning the Massey Group required to be stated therein or necessary in order to make the statements therein not misleading.
(d) all Losses of the New Fluor Indemnified Parties relating to, arising out of or due to any untrue statement of a material fact concerning the Massey Group contained in any report of New Fluor filed after the Distribution Date under the Exchange Act, or in any filing made after the Distribution Date under the Securities Act by New Fluor, or the omission or alleged omission to state in any such report or filing a material fact concerning the Massey Group required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that Massey shall be liable in any such case only to the extent that any such Losses arise out of or are based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any such report or filing in reliance upon and in conformity with written information furnished to New Fluor, its Affiliates or any of their respective representatives by or on behalf of Massey, its Affiliates or any of their respective representatives specifically for use in preparing such report or filing by New Fluor.

(e) All Losses of the New Fluor Indemnified Parties relating to, arising out of or due to, directly or indirectly, the Massey Business or any other business conducted by the Massey Group, whether relating to, arising out of or due to occurrences or conditions prior to, on or after the Distribution Date.

Section 3.03. Overriding Provisions. Notwithstanding anything to the contrary in this Agreement, this Article III and Article VII hereof shall be subject to the following provisions: (a) This Article III shall not govern any Tax, and any and all Losses relating to foreign, federal, state and local Taxes, including the payment of Taxes, and all Losses relating to breach of any representation, warranty or covenant under the Tax Sharing Agreement, shall be exclusively governed by the Tax Sharing Agreement.

(b) Except as otherwise expressly set forth below, this Article III shall not govern any employee benefits matters, or any and all Losses relating to the establishment, maintenance and administration of employee benefit plans and programs, which shall be exclusively governed by the provisions of Article VII hereof.

(c) The indemnification provisions of this Article III and Article VII hereof shall not inure to the benefit of any third party or parties other than the directors, officers and Affiliates of a Group as expressly provided in Sections 3.01, 3.02, 7.05 and 7.06. By way of illustration only, an insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto, or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions. Accordingly, any indemnification shall be paid net of the amount of any insurance paid to the indemnified party.

(d) In the case of any Loss with respect to which an indemnification payment is required under this Article III or Article VII hereof (an "Indemnification Payment"), the amount of such Indemnification Payment shall be adjusted in accordance with the applicable provisions of the Tax Sharing Agreement.

ARTICLE IV

INDEMNIFICATION PROCEDURES

Section 4.01. Notice and Payment of Claims. If either Group (the
"Indemnified Party") determines that it is or may be entitled to indemnification by the other Group (the "Indemnifying Party") under Article III or Article VII hereof, the Indemnified Party shall promptly deliver to the Indemnifying Party a written notice and demand therefor, specifying, to

the extent reasonably practicable, the basis for its claim for indemnification, the nature of the claim and the amount for which the Indemnified Party reasonably believes it is entitled to be indemnified. Unless such claim is subject to the provisions of Section 4.02 below, the Indemnifying Party shall pay the Indemnified Party the amount set forth in such notice, in cash or other immediately available funds, within thirty (30) days after receipt of such notice. However, the Indemnifying Party may object to the claim for indemnification set forth in such notice; provided, however, that if the

Indemnifying Party does not give the Indemnified Party written notice setting forth its objection to such claim and the grounds therefor within the same thirty (30) day period, the Indemnifying Party shall be deemed to have acknowledged its liability for the amount of such claim and the Indemnified Party may exercise any and all of its rights under applicable law to collect such amount. Any such objection to a claim for indemnification shall be resolved in accordance with Section 4.03.

Section 4.02. Defense of Third-Party Claims. If the Indemnified Party's claim for indemnification is based on a claim, demand, action or proceeding, judicial or otherwise, brought by a third party, and except in the event that a party is disputing that it has any indemnification obligation to the other party (in which event the provisions of Section 4.03 below shall apply), within the thirty (30) day period referred to in Section 4.01 above, (a) the Indemnified Party may, by giving written notice thereof to the Indemnifying Party, require the Indemnifying Party to assume, or (b) the Indemnifying Party may at its option and by giving written notice thereof to the Indemnified Party elect to assume, the defense of such third-party claim at its sole cost and expense. Any such contest shall be conducted by attorneys employed by the Indemnifying Party, but the Indemnified Party shall have the right to participate in such proceedings and to be represented by attorneys of its own choosing at the Indemnified Party's sole cost and expense. If the Indemnifying Party assumes the defense of any such third-party claim, the Indemnifying Party may settle or compromise the claim without prior written consent of the Indemnified Party so long as such settlement does not impose any obligation or restriction of any nature on the Indemnified Party. The Indemnifying Party shall pay to the Indemnified Party in cash the amount for which the Indemnified Party is entitled to be indemnified within fifteen (15) days after the settlement or compromise of such third-party claim or the final unappealable judgment of a court of competent jurisdiction. If the Indemnified Party does not require the Indemnifying Party, and the Indemnifying Party does not elect, to assume the defense of any such third-party claim, the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party.

Section 4.03. Dispute Resolution. In an effort to resolve informally and amicably any claim or controversy arising out of or related to the interpretation or performance of this Agreement without resorting to litigation, each party shall notify the other party to the dispute in writing of any difference or dispute hereunder that requires resolution. Each party in dispute shall designate an employee to investigate, discuss and seek to settle the matter between them. If the two are unable to settle the matter within thirty (30) days after such notification, the matter shall be submitted to a senior officer of each such party for consideration. If settlement cannot be reached through their efforts within an additional thirty (30) days, or such longer time period as they shall agree upon, such parties shall consider arbitration or other alternative means to resolve the dispute. If they are unable to agree to an alternative dispute resolution mechanism, either party may initiate legal proceedings to resolve such matter. If upon final resolution of a
dispute it is determined that one party has an indemnification obligation to the other, in such event, the provisions of Section 4.02 shall then apply, with the thirty (30) day period described in Sections 4.01 and 4.02 commencing upon the date of final resolution of the matter.

ARTICLE V

OTHER AGREEMENTS

Section 5.01. Asset Transfers. (a) Prior to the Distribution Date, Parent shall transfer, assign and convey any and all rights and/or obligations it may have to New Fluor with respect to (a) all Parent Assets and Parent Liabilities except (i) Parent's investments in any Massey Group entity, (ii) all intercompany accounts described in Section 5.06 to be retained by Parent, (iii) all historical equity accounts of Parent, (iv) the Massey Group's share of all assets and liabilities under any Fluor Plans as described and allocated in accordance with Section 7.03; (b) all intellectual property rights of Parent as described in Section 5.07; (c) all investments in any subsidiary or affiliate which are part of the New Fluor Group; (d) all liabilities arising primarily from the Fluor Business or DRIH Corporation, whether fixed, contingent or otherwise (other than the DRIH Grid Note); and (e) all other assets not otherwise used primarily in the conduct of the Massey Business including, without in any way limiting the preceding, those assets to be assigned to New Fluor as described in Paragraph B of Schedule 5.01. In addition, prior to the Distribution Date, Fluor Enterprises, Inc. (a New Fluor subsidiary) shall transfer, convey and assign to a Massey Group subsidiary (to be designated) those assets described in Paragraph A of Schedule 5.01. The parties acknowledge and agree that the transfers set forth herein shall be completed on or prior to the Distribution Date, if practicable.

(b) To the extent that a Group owns any other asset which is used primarily in the business conducted by the other Group, the first-mentioned Group shall use its commercially reasonable efforts, subject to receipt of any necessary consents of third parties, to cause such asset to be conveyed, assigned and transferred to such other Group.

(c) If any transfer contemplated by subsection (a) shall not have been consummated prior to the Distribution Date, the parties shall cooperate to effect such transfer as promptly thereafter as shall be reasonably practicable, it nonetheless being agreed and understood that no party shall be liable to any other party for any delay in making any transfer contemplated by this Section. Notwithstanding the provisions of Article III, upon such transfer, the transferee of any such asset shall assume any liability (other than any liability relating to any Tax, which liabilities are exclusively governed by the Tax Sharing Agreement) relating to such asset and shall indemnify and hold harmless the transferor and its directors, officers and Affiliates against all claims relating thereto. The cost (other than any cost relating to any Tax, which costs are exclusively governed by the Tax Sharing Agreement) of effecting any such transfer of assets and assumption of related liabilities shall be borne by the person to whom such asset is transferred.

Section 5.02. Further Assurances and Consents. (a) Each of the parties hereto will execute and deliver such further instruments of conveyance and assignment and will take such other actions as any other party may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof.
(b) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using commercially reasonable efforts to obtain any consents and approvals and to make the filings and applications necessary or desirable in order to consummate the transactions contemplated by this Agreement; provided, however, that no party hereto shall be obligated to pay any consideration therefor (except for filing fees and other administrative charges) to any third party from whom such consents, approvals and amendments are requested or to take any action or omit to take any action if the taking of such action or such omission would be unreasonably burdensome to the party, its Group or its Group's business.

Section 5.03. No Representation or Warranty. The parties hereto understand and agree that no party is representing or warranting in any way (i) as to the nature or value of, freedom from encumbrance or fitness for purpose of, or as to any other matter concerning, any assets or liabilities referred to in Section 5.01 (it being agreed and understood that all such assets are being transferred "as is, where is"), (ii) as to the legal sufficiency of any conveyance or assignment contemplated by Sections 5.01 and 5.02, (iii) as to the execution, delivery and filing of the instruments pertaining thereto, or (iv) as to the obtaining of any consents or approvals, the making of any filings or applications or the compliance with the requirements of any applicable laws or judgments necessary to comply with Sections 5.01 and 5.02.

Section 5.04. Registration and Listing. (a) Each party shall cooperate in the preparation of the Spinoff Registration Documents and the Proxy Statement and any amendments or supplements thereto. The parties shall use commercially reasonable efforts to cause the New Fluor Common Stock to be distributed hereunder to be registered pursuant to the Exchange Act and thereafter to effect the Distribution in accordance with the terms of this Agreement, including, without limitation, by preparing and filing the Spinoff Registration Documents under the Exchange Act covering the New Fluor Common Stock and using commercially reasonable efforts to cause the Spinoff Registration Documents to be declared and remain effective.

(b) The parties shall cooperate in preparing and filing with the SEC and causing to become and remain effective any registration statements, and any amendments or supplements thereto, which are appropriate to reflect the establishment of, or amendment to, any employee benefit and other plan contemplated by Article VII hereof.

(c) The parties shall take all such commercially reasonable actions as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by this Agreement.

(d) The parties shall take all such commercially reasonable actions to prepare, and shall file and pursue, applications to permit listing of the new Fluor Common Stock and Massey Common Stock on the New York Stock Exchange.

Section 5.05. Conduct of Businesses Pending Distribution. (a) The parties agree that from the date hereof until the Distribution Date, except as otherwise contemplated by this Agreement, they will use commercially reasonable efforts to cause the businesses of New Fluor and Parent to be conducted diligently in the ordinary course and substantially in the same manner as
heretofore conducted and to preserve intact the business organization and
goodwill of each such business; provided, however, that notwithstanding the
foregoing, (i) Parent shall, at New Fluor's request, (A) authorize one or more
contributions from Parent to New Fluor on the Distribution Date, in the form of
cash, securities and/or property, in such amount and on such terms and subject
to such conditions as the board of directors of Parent may determine, (B)
determine Cumulative Cash Flow in order to determine the final level of Massey
Debt Position (as defined below) in accordance with Section 5.11, and (C) enter
into commercial paper or other financing arrangements to pay such contributions
and for other purposes and (ii) New Fluor shall adopt a charter and by-laws
reasonably satisfactory to New Fluor and Parent, for approval by Parent as sole
stockholder of New Fluor.

(b) The parties agree that on or before the Distribution Date,
Parent shall settle and terminate that certain Forward Equity Acquisition
Transaction between Parent and Citibank, N.A. dated as of October 30, 1998 for
the purchase of 1,850,000 shares of Parent common stock.

(c) Prior to the Distribution Date, the Massey Group shall not,
without the prior consent in writing of Parent, make any public announcement or
issue any press release with respect to the Distribution or with respect to any
material event, and, subject to Article IX, each Group shall use commercially
reasonable efforts not to take any action which may prejudice or delay the
consummation of the Distribution.

Section 5.06. Intercompany Accounts. All intercompany accounts,
receivables and payables between the parties hereto shall be settled and
resolved in accordance with the provisions of Schedule 5.06 attached hereto,
except those related to Appalachian Synfuel, LLC which shall be addressed in the
agreement transferring ownership to the Massey Group.

Section 5.07. Intellectual Property. On or prior to the
Distribution Date, Parent shall transfer to New Fluor all intellectual property
held by Parent, other than intellectual property that relates to the Massey
Business, including, without limitation, the intellectual property listed on
Schedule 5.07.

Section 5.08. Insurance. With respect to the Fluor Insurance

Policies currently maintained by Parent, Parent shall continue to maintain the
status of the members of the Massey Group as "insureds" under the layers of the
combined aggregate protection and excess liability portion of the Fluor
Insurance Policies up to the Distribution Date, and Parent and New Fluor will
take such action as is necessary and appropriate to cause, effective as of the
Distribution Date: (a) New Fluor (and with respect to directors and officers
liability insurance, the directors and officers of New Fluor) to become the sole
"named insured" on each of the Fluor Insurance Policies whose policy term shall
not have expired prior to the Distribution Date and on its combined aggregate
protection and excess liability policies for the period 10-31-98 through
10-31-00, and the transfer by Parent to New Fluor of all assets and liabilities
related to the Fluor Insurance Policies; (b) the termination of the excess
coverage of all members of the Massey

Group under the Fluor Insurance Policies and the discontinuation of all members
of the Massey Group as an "insured" under any of the Fluor Insurance Policies;
(c) to provide Parent with additional insured status under the combined
aggregate protection and excess liability portions of its coverage with respect
to claims (other than those arising from the Massey Business) for occurrences
arising before the Distribution Date; and (d) to provide the directors and
officers of Parent with additional insured status under the directors and
officers policy of Parent with respect to claims for occurrences arising on or
before the Distribution Date. Notwithstanding the foregoing, with respect to
aircraft liability coverage currently being maintained by Parent (ACE; Policy No. S00387149) (the "Aircraft Policy"), Parent agrees that it shall use commercially reasonable efforts to permit the assignment of such Aircraft Policy to the Massey Group, such assignment to occur, if at all, concurrently with the Distribution Date. Parent and New Fluor have not taken, and on and after the Distribution Date, New Fluor shall refrain from taking, any action which adversely impacts the coverage of the Massey Group for claims based upon their status as an "insured" up to the Distribution Date with respect to any coverage afforded under the Fluor Insurance Policies that is broader than that afforded to Massey under its own insurance policies covering the same types of risks. Parent represents and warrants that it has provided notice to the primary and excess layer of its combined aggregate protection and excess liability policies concerning the coal slurry release, Martin County, Kentucky, which commenced on or about October 11, 2000, and Parent has taken no action constituting a waiver of coverage therefor. It is specifically acknowledged and agreed that the Massey Group may communicate directly with the Fluor Insurance Policies carriers on the coal slurry release, provide claims related documentation to such carriers and may take such other action as may be, in its reasonable discretion, required in order to determine coverage under the applicable insurance policies. Any such communications shall be concurrently copied to New Fluor and where the communication deals with payment or coverage demands, coverage positions or legal proceedings, then Massey shall provide New Fluor with reasonable prior notice and shall otherwise consult with New Fluor prior to any communication with the Fluor carriers or the institution of legal proceedings. After the Distribution Date, New Fluor shall not take any action to forfeit, waive, cancel, amend or modify, or cause to be forfeited, waived, cancelled, amended or modified, the insurance coverage to be provided to the Massey Group under the Fluor Insurance Policies up to the Distribution Date. After the Distribution Date, the Massey Group shall not take any action to forfeit, waive, cancel, amend or modify, or cause to be forfeited, waived, cancelled, amended or modified, the coverage to be provided to New Fluor under the Fluor Insurance Policies up to the Distribution Date.

From and after the Distribution Date, New Fluor shall cause the New Fluor Group to maintain, and Massey shall cause the Massey Group to maintain, with financially sound and reputable insurance companies, property damage, commercial general liability, professional liability and directors and officer's liability insurance in at least such amounts and against such risks as are usually insured against by companies of established repute engaged in the same or similar business as the New Fluor Group or Massey Group, as applicable, and owning similar assets ("Industry Standards"), except where such risks are covered by self-insurance so long as the amount of such self-insurance and the risks covered thereby are consistent with Industry Standards. Each party will promptly furnish the other party, subject to appropriate confidentiality protection, such information as to insurance carried or self-insurance maintained as may be reasonably requested in writing by such other party.

Parent hereby represents and warrants, on behalf of and with respect to the Massey Group, and New Fluor hereby represents and warrants on behalf of and with respect to the New Fluor Group, that except as previously disclosed in writing to the other party, there are no outstanding claims or notices, or, to its best knowledge, facts and circumstances which could reasonably be expected to result in a claim or notice, under any of the combined aggregate protection or excess liability portions of the Fluor Insurance Policies.

Section 5.09. Retained Liabilities. Without limiting any other provision of this Agreement, the Massey Group acknowledges the obligations and liabilities set forth on Schedule 5.09, and to the extent applicable, the Massey Group agrees to honor and properly discharge all such obligations and liabilities following the Distribution Date. Notwithstanding anything to the contrary contained herein, the New Fluor indemnity provisions described in Section 3.01 of this Agreement shall not apply to the extent that the Massey Indemnified Parties are the cause, either directly or indirectly, of any matter,
activity or omission resulting in Losses due to breach of the obligations and liabilities set forth in Schedule 5.09. The foregoing notwithstanding, with respect to any guarantees issued by Parent that are listed on Schedule 5.09 and any other guarantees by Parent of any obligations arising from the Fluor Business that survive the Distribution, the obligations of the Massey Group under this Section 5.09 with respect to any such guarantee shall be deemed fully satisfied, and the Massey Indemnified Parties shall not suffer any diminution of indemnity rights otherwise available under this agreement for Losses arising from such guarantee if: (a) the Massey Group provides New Fluor with prompt written notice of any claims made under such guarantee and tenders the defense of such claims to New Fluor in accordance with the provisions of Section 4.01 and 4.02 hereof and (b) the Massey Group complies with its obligations under Article VI hereof that arise in respect of any claims made under such guarantee.

With respect to the guarantees listed on Schedule 5.09 and any other guarantees by Fluor Corporation that relate to the Fluor Business, the New Fluor Group shall discharge in a timely manner all obligations secured by such guarantees and use commercially reasonable efforts to prevent any claim from being made under such guarantees; provided, however, that nothing in this Section 5.09 shall impose any obligation or liability whatsoever on the New Fluor Group to any member of the Massey Group for taking any action or refraining from taking any action in the defense, settlement or other handling of any claim against any member of the New Fluor Group covered by any such guarantee that the New Fluor Group determines in good faith to be appropriate in protecting the interests of the New Fluor Group with respect to such claim, except that the New Fluor Group shall use commercially reasonable efforts to cause the prompt release of any lien imposed on any assets of the Massey Group in connection with any such guarantee. The obligations set forth in this Section 5.09 shall be in addition to any obligation of New Fluor to indemnify the Massey Group with respect to Losses related to such guarantees pursuant to Section 3.01(e) of this Agreement.

Section 5.10. Composition of Boards. The initial members of the boards of directors of Massey and New Fluor following the Distribution shall be as set forth on Schedule 5.10.

Section 5.11. Capital Structure. Parent will retain the Public Debt, will incur additional borrowing in the commercial paper market and will enter into a new bank credit facility to support its commercial paper program. The Massey Group's debt position as of the Distribution Date, composed of the Public Debt and commercial paper, will be $530 million (the "Massey Debt Position"), adjusted as follows: (i) If for the period beginning August 1, 2000 and ending on the Distribution Date, the Cumulative Cash Flow of A.T. Massey Coal Company, Inc. and its subsidiaries is positive, then the Massey Debt Position will be decreased by such amount unless the Massey Group retains such excess cash in its cash accounts in accordance with the provisions hereof and (ii) if such Cumulative Cash Flow for such period is negative, then the Massey Debt Position will be increased by such amount. For purposes of this Section 5.11, the term "Cumulative Cash Flow" shall be determined as follows:

(a) if on the Distribution Date, the net cumulative cash transactions reflected through the Grid Note results in Net Cash Received by Parent from the Massey Group, such amount shall be deducted from the Massey Debt Position;

(b) if on the Distribution Date, the net cumulative cash transactions reflected through the Grid Note results in Net Cash Paid by Parent to the Massey Group, such amount shall be added to the Massey Debt Position.

(c) Notwithstanding the preceding, interest on the Grid Note, and the purchase price, redemption price or liquidation amount paid along with
related settlement costs associated with the transfer of interests of Appalachian Synfuel, LLC, as described in Schedule 5.01, shall be excluded from the determination of Cumulative Cash Flow.

(d) Attached hereto as Schedule 5.11 solely for explanatory purposes is a pro forma statement demonstrating how Cumulative Cash Flow would be calculated using sample numbers and reflecting the amount of commercial paper or other borrowings that would be deliverable from Parent to New Fluor in the form of contributions but whose repayment responsibility shall be retained by the Massey Group following the closing of the Distribution, such contributions to occur in accordance with Section 5.05.

Section 5.12 Additional Settlement Matters. The following additional costs, expenses and matters shall be settled as follows, and shall not impact the determination of Cumulative Cash Flow:

(a) Transaction Expenses shall be determined in accordance with Section 10.01.

(b) With respect to the Public Debt, the next interest payment thereunder is due on March 1, 2001. New Fluor shall be responsible for its share of interest payments due on the Public Debt between the last date interest was paid on the Public Debt, September 1, 2000 through and including the Distribution Date (the "New Fluor Share"). Massey shall be responsible for interest payments due on the Public Debt following the Distribution Date and thereafter. Massey will be responsible for the interest payment due on the Public Debt on March 1, 2001, provided New Fluor shall reimburse Massey for the New Fluor Share. New Fluor shall pay the New Fluor Share within 10 days following receipt of an invoice therefor from Massey, such invoice not due and payable earlier than February 28, 2001.

(c) To the extent that the Massey Group had any cash balances as of July 31, 2000, such balances shall be retained by Massey following the Distribution and shall not impact the determination of Cumulative Cash Flow.

Section 5.13 Cooperation with SEC Filings. Each party shall cooperate in providing to the other party information as may be reasonably requested in order to comply with applicable filing requirements under the Securities Act or the Exchange Act. The party providing such information shall ensure that such information is correct and complete in all material respects.

Section 5.14 Agreement to Close Books. The Massey Group agrees that it shall close its financial books and records on the Distribution Date, and within fifteen (15) days thereafter report to New Fluor the financial statements for the Massey Group from the day after the last day of the last financial reporting period through the Distribution Date, such financial statements to be prepared in accordance with generally accepted accounting principles consistently applied and in accordance with existing management practices. Such financial statement shall be subject to audit by Ernst & Young.

ARTICLE VI

INFORMATION AND SERVICES

Section 6.01 Provision of Corporate Records. Each Group shall arrange as soon as reasonably practicable following the Distribution Date for the provision to the other Group of existing corporate governance documents (e.g. minute books, stock registers, stock certificates, documents of title, etc.) in its possession, if any, relating to such other Group or its business and affairs.
Section 6.02. Access to Information. From and after the Distribution Date, each Group shall afford the other Group and its accountants, counsel and other designated representatives reasonable access (including using reasonable efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to all records, books, contacts, instruments, computer data and other data and information in such Group’s possession relating to the business and affairs of the other Group, insofar as such access is reasonably required by the other Group, including, without limitation, for audit, accounting, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations.

Section 6.03. Production of Witnesses. Each Group shall use reasonable efforts to make available to the other Group, upon written request, its officers, directors, employees and agents as witnesses to the extent that such persons may reasonably be required in connection with any legal, administrative or other proceedings in which the requesting party may from time to time be involved.

Section 6.04. Reimbursement. A Group providing information or witnesses under this Article VI to the other Group shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payment for all costs and expenses (including the allocable portion of any overhead expenses attributable thereto) as may be reasonably incurred in providing such information or witnesses.

Section 6.05. Retention of Records. Except as otherwise required by law or agreed to in writing, each party shall, and shall cause the members of its Group to, retain all information relating to the other Group's business in accordance with the record retention policies of such party as may be in effect from time to time. Notwithstanding the foregoing, any party may destroy or otherwise dispose of any information at any time, provided that, prior to such destruction or disposal, (i) such party shall provide no less than 90 days prior written notice to the other party, specifying the information proposed to be destroyed or disposed of and (ii) if a recipient of such notice shall request in writing prior to the scheduled date for such destruction or disposal that any of the information proposed to be destroyed or disposed of be delivered to such requesting party, the party proposing the destruction or disposal shall promptly arrange for the delivery of such of the information as was requested at the expense of the requesting party.

Section 6.06. Confidentiality. Each party shall hold and shall cause its consultants and advisors to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the business or affairs of such party) concerning the other party hereto furnished it by such other party or its representatives pursuant to this Agreement or otherwise (except to the extent that such information can be shown to have been (i) previously known by the party to which it was furnished, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired from other sources by the party to which it was furnished), and each party shall not release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors who shall be advised of the provisions of this Section 6.06. Each party shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

Section 6.07. Information and Services Relating to Taxes. The
provisions of Sections 6.02, 6.04 and 6.05 hereof shall not apply to the extent any matter addressed therein is addressed by any provision of the Tax Sharing Agreement, and such provision of the Tax Sharing Agreement shall govern such matters exclusively for all purposes.

ARTICLE VII
EMPLOYEE BENEFITS


Section 7.03(a). Fluor Plans - Change of Sponsorship. On and after the Distribution Date, the sponsorship of all Fluor Welfare Benefit Plans and all Fluor Pension Benefit Plans which are currently sponsored by Parent shall be transferred from Parent to New Fluor, such change in sponsorship to include a full transfer of all Plan assets and liabilities including any plan underfunding or overfunding and such change in sponsorship shall be reflected by corporate resolutions, amendments to such plans where appropriate and changes to any required filings with any governmental agency reflecting New Fluor as plan sponsor. With regard to the Fluor Executive Plans, those Fluor Executive Plans listed on Schedule 7.03(a)(i), together with all related assets and liabilities, will be assigned from Parent to New Fluor. Those Fluor Executive Plans listed on Schedule 7.03(a)(ii), which include Parent stock as a form of benefit, will remain with the Parent. Those Fluor Executive Plans listed on Schedule 7.03(a)(iii) which cover executives of both the New Fluor Group and the Massey Group will be partitioned into two plans, with the assets and liabilities attributable to current and former Fluor executives being transferred to New Fluor and the assets and liabilities attributable to current and former Massey Group executives remaining with the Parent. The grantor trust established by Parent and any insurance policy(ies) funded by Parent to provide for payment of benefits to current or former Parent executives shall be transferred to New Fluor. Any insurance policy(ies) funded by Parent or any of its subsidiaries to provide for payment of benefits to current or former Massey Group executives shall be retained by Parent. The indemnification provisions set forth in Sections 7.05 and 7.06 shall apply to the Fluor Plans whether such Fluor Plans are assigned to New Fluor or remain with the Parent.

(b) Except as provided otherwise in Section 10.01(b), any stock options on Parent stock held by persons currently or formerly employed by the Massey Group shall remain subject to the applicable plan under which such options were granted, and shall be adjusted in a manner consistent with FASB Emerging Issues Task Force Issue 90-9 to constitute solely options for Parent's Common Stock. Stock options to Parent stock held by persons currently or formerly employed by the New Fluor Group shall be assumed by New Fluor and shall be adjusted in a manner consistent with FASB Emerging Issues Task Force Issue 90-9 to constitute solely options for New Fluor Common Stock, and New Fluor shall adopt the Fluor 2000 Executive Incentive Performance Plan to provide options in new Fluor Common Stock. Except as otherwise provided in Section 10.01(b), any unvested restricted stock, stock appreciation rights, phantom stock, shadow stock, and other forms of equity-based compensation held by a current or former employee of Parent shall be adjusted in the same manner described in the preceding two sentences.

(c) Parent held restricted stock and restricted units by non-employee directors of Parent who are directors of New Fluor on the
Distribution Date, but who are no longer directors of Parent immediately following the Distribution Date, shall be assumed by New Fluor and shall be adjusted in a manner consistent with FASB Emerging Issues Task Force Issue 90-9 to constitute solely restricted stock and restricted units for New Fluor Common Stock, and New Fluor shall adopt the Fluor Stock Plan for Non-Employee Directors. Parent restricted stock and restricted units held by non-employee directors who are directors of both Parent and New Fluor immediately following the Distribution Date shall be adjusted in a manner consistent with FASB Emerging Issues Task Force Issue 90-9 so that a director has a corresponding number of shares of Parent restricted stock and New Fluor restricted stock and a corresponding number of share equivalents of Parent restricted units and New Fluor restricted units.

(d) Prior to the Distribution Date, Parent shall cause New Fluor to adopt the Fluor 2000 Executive Incentive Performance Plan and the Fluor Stock Plan for Non-Employee Directors, and Parent shall approve such plans as sole stockholder of New Fluor.

Section 7.04. Master Trust Changes. Schedule 7.04(a) lists the
Fluor Pension Benefit Plans and the Massey Pension Benefit Plans (the "Massey Defined Benefit Plans") whose assets constitute the corpus of the Fluor Master Trust. It is the intention of Parent and New Fluor to continue to maintain such qualified plans after the Distribution Date although this representation shall not bind either Parent or New Fluor with respect to the continuation of any such plans subsequent to the Distribution Date. Not later than the Distribution Date, the Massey Group shall establish the Massey Master Trust. The assets of the Massey Defined Benefit Plans to be transferred from the Fluor Master Trust to the Massey Master Trust shall be determined in accordance with and based upon the current asset allocation and the valuation policies and practices currently being used by the Fluor Master Trust, with the value being determined as of the end of the month immediately preceding or coinciding with the Distribution Date. To the extent reasonably practicable, the assets shall be transferred in kind and the transfer shall be completed within sixty (60) days following the Distribution Date. Any increase or decrease during the period between the Valuation Date and the Transfer Date in the value of the assets to be transferred as described above, including any income or loss derived from such assets during such period, shall be for the account of the Massey Master Trust. New Fluor and Parent shall each use diligent efforts to cause the transfers contemplated above to be accomplished on an expeditious basis. On and after the Distribution Date, Parent shall cease to be the grantor of the Fluor Master Trust and New Fluor shall be substituted in its place in accordance with the terms of the Fluor Master Trust.

Section 7.05. Indemnification by New Fluor. New Fluor shall
indemnify and hold harmless the Massey Indemnified Parties from and against:

(a) All Losses relating to, or arising out of, or due to, directly or indirectly, (i) the management or investment of assets of any of the Fluor Plans with respect to all periods prior to and after the Distribution Date; excluding losses relating to the management or investment, after the Distribution Date, of assets relating to Massey Group participants or beneficiaries or (ii) claims by Massey Group participants or beneficiaries regarding the management or investment of the Massey Defined Benefit Plans prior to the Transfer Date for the period of time in which such plans were part of the Fluor Master Trust.

(b) All Losses from assessments, fines or penalties imposed with respect to any of the Fluor Plans, by any governmental agency, federal or state, with jurisdiction in the premises with respect to all periods prior to and after the Distribution Date; excluding Losses arising from the administration of such Fluor Plans by or on behalf of the Massey Group following the Distribution Date.

(c) All Losses relating to or arising out of any claims of
whatever nature made by or on behalf of New Fluor Group participants or beneficiaries in any of the Plans, including but not limited to, claims under applicable federal or state law with respect to all periods prior to and after the Distribution Date.

(d) All Losses which may be incurred with respect to Fluor Pension Benefit Plans with respect to all periods prior to and after the Distribution Date as a result of any withdrawal or any other liability under ERISA and/or Losses which may be incurred with respect to multi-employer plans contributed to by the New Fluor Group or, prior to the Distribution Date, contributed to by Parent, under the MPPAA.

Section 7.06. Indemnification by Massey. Massey shall indemnify and hold harmless the New Fluor Indemnified Parties from and against:

(a) All Losses relating to, or arising out of, or due to, directly or indirectly, (i) the management or investment of assets of any of the Massey Plans with respect to all periods prior to and after the Distribution Date (other than the Massey Defined Benefit Plans with respect to periods prior to the Transfer Date for the period in which they were part of the Fluor Master Trust), or (ii) the management and investment, after the Distribution Date, of Fluor Plan assets held by the Massey Group that are attributable to Massey Group participants and beneficiaries.

(b) All Losses from assessments, fines or penalties imposed, with respect to any of the Massey Plans with respect to all periods prior to and after the Distribution Date or imposed after the Distribution Date with respect to the Fluor Plans, or any portions thereof, which are administered by or on behalf of the Massey Group on and after the Distribution Date and which are based upon acts, errors or omissions of the Massey Group.

(c) All Losses relating to or arising out of any claims of whatever nature, including but not limited to, claims under applicable federal or state law, made by or on behalf of participants or beneficiaries in any of the Massey Plans with respect to all periods prior to and after the Distribution Date, or any claims made by or on behalf of Massey Group Participants in any of the Fluor Plans, which are administered by or on behalf of the Massey Group after the Distribution Date and which Losses are based on acts, errors or omissions occurring after the Distribution Date.

(d) All Losses which may be incurred with respect to any Massey Pension Benefit Plan with respect to all periods prior to and after the Distribution Date as a result of any withdrawal or any other potential liability under ERISA and/or, with respect to multi-employer plans contributed to by the Massey Group (excluding Parent) or after the Distribution Date, contributed to by Parent under the MPPAA.

ARTICLE VIII
INTERCOMPANY AGREEMENTS

Section 8.01. Termination. Without prejudice to any claims thereunder based upon occurrences prior to the Distribution Date or any confidentiality obligations thereunder, Parent and New Fluor hereby agree that each the agreements described in Schedule 8.01 will, effective as of the Distribution Date, be terminated and of no effect thereafter (it being acknowledged by Parent and New Fluor that, except as specified herein and as may have been entered into in the ordinary course of business, there are no other material
ARTICLE IX

TERMINATION; SURVIVAL

Section 9.01. Termination. This Agreement may be terminated at any time prior to the Distribution upon a resolution to such effect passed by the board of directors of Parent.

Section 9.02. Survival. The respective obligations of the parties hereto shall survive the Distribution Date.

ARTICLE X

MISCELLANEOUS

Section 10.01. Expenses. Except as otherwise specifically set forth below, all costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and with the consummation of the transactions contemplated hereby (collectively, the "Transaction Expenses") are described on and shall be borne in accordance with Schedule 10.01 to this Agreement.

(a) Within ten (10) days following the Distribution, and as more particularly described in the Proxy Statement, Massey intends to offer its employees (other than Don L. Blankenship) who hold Options the opportunity to surrender their Options in exchange for a cash payment. In the event that a holder of an Option elects to surrender his or her Options, such Option holder will be entitled to an amount equal to one-third of the present value of that person's Options as calculated using the Black-Scholes option value methodology (the "Cash Payment"). If accepted by an Option holder, the Cash Payment obligation would be payable over three equal annual installments with the first installment of the Cash Payment paid on the first anniversary of the Distribution Date, subject to forfeiture to the extent the option holder's employment with Parent terminates for a reason other than retirement or permanent disability prior to the date an installment is to be paid. New Fluor agrees that it shall be responsible for the Cash Payment to any Massey Option holders who elect to surrender their Options as described above subject to the following: (i) within sixty (60) days following the Distribution Date, Massey shall deliver to New Fluor a list of its Option holders who have elected to surrender their Options, the amount of Options surrendered and, subject to New Fluor's reasonable approval, the Black Scholes value of the Options surrendered; (ii) Massey's Option surrender program shall be identical to that which is described in the Proxy and to the extent of any deviation therefrom which results in increased or accelerated liability to New Fluor, Massey shall bear any such liability; and (iii) as and when a portion of the Cash Payment is due to Massey employees who elected to surrender Options, Massey will invoice New Fluor for the amounts so due, such invoice not to be due and payable earlier than the payment date for the applicable portion of the Cash Payment.

(b) Pursuant to that certain Amendment to Employment Agreement (the "Blankenship Amendment"), Fluor, Massey, New Fluor and Don L. Blankenship ("Blankenship") have agreed to modify the terms of Blankenship's existing Employment Agreement and Special Successor Development and Retention Program Agreement. New Fluor agrees that to the extent that under the Blankenship Amendment cash payments are due to Blankenship following the Distribution, Massey will make all such cash payments provided that within ten (10) days following receipt of invoice from Massey indicating that such cash payments have been paid to Blankenship, New Fluor will reimburse Massey for such cash payments made to Blankenship. Notwithstanding the preceding, in the event that Blankenship elects to defer any such cash payments due under the Blankenship Amendment by electing to place such cash payments in a deferred compensation
program maintained by Massey ("Deferred Amounts"), and to the extent that such Deferred Amounts are placed in a Rabbi Trust maintained by Massey, within ten (10) days following New Fluor's receipt of a statement that Massey has funded the Rabbi Trust with the Deferred Amounts (which invoice shall specify the amount so funded, not to exceed $2,778,700), New Fluor shall pay to Massey the amounts set forth in such invoice.

Section 10.02. Notices. All notices and communications under this Agreement shall be in writing and any communication or delivery hereunder shall be deemed to have been duly given (i) when delivered, if delivered in person, or (ii) two days following the date on which the notice or communication is sent, if sent by first class mail or by other commercially reasonable means of written communication (including delivery by an internationally recognized courier service) addressed as follows:

If to Massey, to:
Massey Energy Company
Four North 4th Street
Richmond, Virginia 23219
Attention: General Counsel

If to New Fluor, to:
Fluor Corporation
One Enterprise Drive
Aliso Viejo, California 92656-2606
Attention: General Counsel

Any party may, by written notice so delivered to the other party, change the address to which delivery of any notice shall thereafter be made.

Section 10.03. Amendment and Waiver. This Agreement may not be altered or amended, nor may rights hereunder be waived, except by an instrument in writing executed by the party or parties to be charged with such amendment or waiver. No waiver of any terms, provision or condition of this Agreement, in any one or more instances, shall be deemed to be, or construed as a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Agreement.

Section 10.04. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same Agreement.

Section 10.05. Governing Law. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of New York without reference to choice of law principles.

Section 10.06. Consent to Jurisdiction. Each of the parties hereto hereby irrevocably submits to the nonexclusive jurisdiction of any United States Federal or New York State court sitting in New York County in any action or proceeding arising out of or relating to this Agreement, and irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in any such United States Federal or New York State court. Each of the parties hereto agrees to commence any action, suit or proceeding relating hereto either in the United States District Court for the Southern District of New York or, if for jurisdictional reasons such suit, action or other proceeding may not be brought in such court, in the Supreme Court of the State of New York,
New York County. Each of the parties hereto further agrees that service of any process, summons, notice or document by United States registered mail to such party's respective address set forth in Section 10.02 shall be effective service of process for any action, suit or proceeding in the State of New York with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (a) the Supreme Court of the State of New York, New York County or (b) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 10.07. Entire Agreement. This Agreement and the Tax Sharing Agreement constitute the entire understanding of the parties hereto with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings. To the extent that the provisions of this Agreement are inconsistent with the provisions of the Tax Sharing Agreement, the provisions of the Tax Sharing Agreement shall prevail.

Section 10.08. Parties in Interest. Neither party hereto may assign its rights or delegate any of its duties under this Agreement without the prior written consent of the other party. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns. Except as set forth in Section 3.03, nothing contained in this Agreement, express or implied, is intended to confer any benefits, rights or remedies upon any person or entity other than the parties hereto.

Section 10.09. Attorneys' Fees. Subject to Section 4.03, in the event any party to this Agreement brings an action or proceeding for the breach or enforcement of this Agreement, the prevailing party in such action or proceeding, whether or not such action or proceeding proceeds to final judgment, shall be entitled to recover as an element of its costs, and not as damages, such reasonable attorneys' fees as may be awarded in the action, proceeding or appeal in addition to whatever other relief the prevailing party may be entitled. For purposes of this Section, the "prevailing party" shall be the party who is entitled to recover its costs; a party not entitled to recover its costs shall not recover attorneys' fees.

IN WITNESS WHEREOF, the parties hereto have caused this Distribution Agreement to be duly executed and delivered as of the date and year first written above.

FLUOR CORPORATION,
a Delaware corporation incorporated in 1978
(to be renamed Massey Energy Company on the Distribution Date)

By: L. N. Fisher
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Name: L. N. Fisher
Title: Senior Vice President-Law and Secretary

FLUOR CORPORATION
a Delaware corporation incorporated in 2000
By: S. F. Hull
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Name:  S. F. Hull
Title:  Vice President and Treasurer

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TAX SHARING AGREEMENT

by and between

Fluor Corporation
a Delaware corporation
incorporated in 1978

and

Fluor Corporation
a Delaware corporation
incorporated in 2000

NOVEMBER 30, 2000

TAX SHARING AGREEMENT

This TAX SHARING AGREEMENT ("Agreement") is entered into as of November 30, 2000, by and between Fluor Corporation, a Delaware corporation incorporated in 1978, which shall be renamed "Massey Energy Company" in connection with the transactions contemplated herein (together with its successors and permitted assigns, "Parent"), Fluor Corporation, a Delaware corporation incorporated in 2000 (together with its successors and permitted assigns, "New Fluor"), and A.T. Massey Coal Company, Inc., a Virginia corporation ("A.T. Massey").

WITNESSETH

WHEREAS, as of the date hereof, Parent is the common parent of an affiliated group of corporations which has elected to file consolidated Federal Income Tax Returns;

WHEREAS, Parent and New Fluor have entered into a Distribution Agreement setting forth the corporate transactions pursuant to which Parent will distribute all of the outstanding shares of common stock of New Fluor to Parent shareholders in a transaction intended to qualify as a tax-free distribution under section 355 of the Code (as defined below);

WHEREAS, as a result of the Transactions (as defined below), members of the New Fluor Group and members of the Massey Group will become members of the same affiliated group and will be members of the same affiliated group for a portion of Parent's taxable year that includes the Distribution Date;

WHEREAS, as a result of the Distribution, New Fluor and its subsidiaries will cease, effective as of the day after the Distribution Date, to be members of the affiliated group of which Parent is the common parent; and

WHEREAS, the Companies desire to provide for and agree upon the allocation between the parties of liabilities for Taxes (as defined below) arising prior to, as a result of, and subsequent to the Transactions, and to provide for and agree upon other matters relating to Taxes.

NOW THEREFORE, in consideration of the mutual agreements contained herein, the parties hereby agree as follows:

Section 1. Definition of Terms.

(a) General. For purposes of this Agreement (including the recitals hereof), the following terms have the following meanings:

"Accounting Cutoff Date" means, with respect to any entity, any date as of the end of which there is a closing of the financial accounting records for such
"Accounting Firm" shall have the meaning provided in Section 15.

"Adjustment Request" means any formal or informal claim or request filed with any Tax Authority, or with any administrative agency or court, for the adjustment, refund, or credit of Taxes including (i) any amended Tax Return claiming adjustment to the Taxes as reported on the Tax Return or, if applicable, as previously adjusted, or (ii) any claim for refund or credit of Taxes previously paid, including any Carryback Adjustment Request (as defined in Section 5.04(a) hereof), any Carryover Adjustment Request (as defined in Section 5.04(b) hereof), and any Audit Adjustment Request (as defined in Section 5.04(c) hereof).

"Affiliate" means any entity (and its predecessors) that, directly or indirectly, is "controlled" by the person or entity in question. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise. Except as otherwise provided herein, the term "Affiliate" shall refer to Affiliates of a person as determined immediately after the Distribution.

"Agreement" shall mean this Tax Sharing Agreement.

"Audit Adjustment" means any change to a Tax Item or the Tax liability as previously reported or reflected on a Tax Return that is required or otherwise results from or is attributable to an audit, examination or other review of such Tax Return by a Tax Authority, whether such audit, examination or other review is initiated by a Tax Authority or a member of a Group.

"Base Rate" means one-month LIBOR, as in effect from time to time and quoted in the Wall Street Journal, Eastern Edition (or, if the Wall Street Journal ceases to be published or ceases to publish one-month LIBOR, such other reliable source as the parties shall mutually select), compounded quarterly on the basis of a year of 365 or 366 (as applicable) days and actual days elapsed.

"Carryback" means any net operating loss, net capital loss, foreign Tax, excess Tax credit, or other Tax Item which may or must be carried back from one Tax Period to another Tax Period under the Code or other applicable Tax Law.

"Carryover" means any net operating loss, net capital loss, foreign Tax, excess Tax credit or other Tax Item which may or must be carried forward from one Tax Period to another Tax Period under the Code or other applicable Tax Law.


"Companies" means Parent and New Fluor, collectively, and "Company" means any one of Parent and New Fluor.

"Consolidated or Combined Tax" means any Tax which applies on a basis whereby one or more members of both Groups are consolidated or combined into a single group (including through a unitary Tax Return), other than a consolidation or combination in which the members of one Group are subject to the Tax only because members of the other Group are so subject.

"Consolidated or Combined Tax Return" means any Tax Return which relates to a Consolidated or Combined Tax.

"Consolidated Tax Liability" means, (i) with respect to any consolidated Federal Income Tax Return, the "tax liability of the group" as that term is used in Treasury Regulation Section 1.1552-1(b), including any applicable
alternative minimum tax, interest, penalties, additions to tax and additional amounts as provided under the Code, and (ii) with respect to any Consolidated or Combined Tax Return other than a Tax Return described in the foregoing clause (i), the consolidated or combined Tax liability of the group, including any applicable interest, penalties, additions to tax and additional amounts, as determined under applicable Tax Laws.

"Distribution" means the distribution to Parent shareholders on the Distribution Date of all of the outstanding stock of New Fluor owned by Parent.

"Distribution Agreement" means the agreement, dated as of the date hereof, as amended from time to time, setting forth the corporate transactions required to effect the distribution to Parent shareholders of New Fluor Common Shares, and to which this Tax Sharing Agreement is attached as an exhibit.

"Distribution Date" means the "Distribution Date" as that term is defined in the Distribution Agreement.


"Foreign Income Tax" means any Income Tax imposed on corporations by any foreign country or any possession of the United States, or by any political subdivision of any foreign country or United States possession.

"Group" means the Parent Group, the Massey Group or the New Fluor Group, as the context requires.

"Income Tax" means any Tax based upon, measured by, or calculated with respect to (i) net income or profits (including any capital gains Tax, minimum Tax and any Tax on items of tax preference, but not including sales, use, real or personal property, gross or net receipts, transfer or similar Taxes) or (ii) multiple bases, if one or more of the bases upon which such Tax may be based, measured by, or calculated with respect to, is described in the foregoing clause (i), in each case inclusive of any interest, penalties, additions to tax or additional amounts in respect of or related to the foregoing.

"Joint Adjustment" means any adjustment proposed by a Tax Authority or any claim for refund asserted in a Tax Contest which is neither a New Fluor Adjustment nor a Parent Adjustment.

"Law" means any Federal, State, local or other law or governmental requirement of any kind and the rules, regulations and orders (administrative or judicial) promulgated thereunder.

"Massey Group" means A.T. Massey and its direct and indirect subsidiaries which would be included in its affiliated group pursuant to Code Section 1504 if A.T. Massey were the parent of such group, provided, however, for purposes of this Agreement said Code Section 1504 shall be applied by (i) substituting "50 percent" for "80 percent" at each place where the words "80 percent" appear in Code Section 1504(a)(2), and (ii) treating as an "includible corporation" any corporation which otherwise would not constitute an includible corporation pursuant to Code Section 1504(b).

"New Fluor Adjustment" means any adjustment to a Tax Item or Tax liability proposed by a Tax Authority or any claim for refund asserted in a Tax Contest to the extent New Fluor would be exclusively liable for any resulting Tax under this Agreement and exclusively entitled to receive any resulting Tax Benefit under this Agreement.

"New Fluor Group" means (i) for periods up to and including the Distribution Date, Parent and its direct and indirect subsidiaries which are included in its affiliated group pursuant to Code Section 1504, but excluding members of the Massey Group and (ii) for periods after the Distribution Date, New Fluor and its direct and indirect subsidiaries which are included in its
affiliated group pursuant to section 1504 of the Code, provided, however, for purposes of this Agreement said Code Section 1504 shall be applied by (i) substituting "50 percent" for "80 percent" at each place where the words "80 percent" appear in Code Section 1504(a)(2), and (ii) treating as an "includible corporation" any corporation which otherwise would not constitute an includible corporation pursuant to Code Section 1504(b).

"Other Company" means, with respect to a Tax Return, the Company which is not the Responsible Company with respect to that Tax Return.

"Parent Adjustment" means any adjustment to a Tax Item or Tax liability proposed by a Tax Authority or any claim for refund asserted in a Tax Contest to the extent Parent would be exclusively liable for any resulting Tax under this Agreement and exclusively entitled to receive any resulting Tax Benefit under this Agreement.

"Parent Group" means (a) for periods up to and including the Distribution Date, the Massey Group and (b) for periods after the Distribution Date, Parent and the Massey Group.

"Payment Date" means (i) with respect to any consolidated Federal Income Tax Return which includes members of both the Parent Group and the New Fluor Group, the due date for any required installment of estimated taxes determined under Code Section 6655, the due date (determined without regard to extensions) for filing the return determined under Code Section 6072, and the date the return is filed, and (ii) with respect to any other Consolidated or Combined Tax Return, the corresponding dates determined under the applicable Tax Law.

"Responsible Company" means, with respect to any Tax Return, the Company which is responsible for preparing and filing the Tax Return under this Agreement.

"Restructuring Tax" means any Tax imposed on or with respect to any income or gain recognized as a result of any one or more of the Transactions.

"Ruling" means the private letter ruling issued by the Internal Revenue Service in response to the Ruling Request, including any amendments or supplements to such private letter ruling.

"Ruling Request" means the letter filed by Parent with the Internal Revenue Service requesting a ruling from the Internal Revenue Service regarding certain Tax consequences of the Transactions (including all attachments, exhibits, and other materials submitted with such ruling request letter) and any amendments or supplements to such ruling request letter.

"Section" means Sections of this Agreement, except where otherwise indicated.

"Separate Company Tax" means any Tax applicable only to a member or members of a single Group.

"Separate Company Tax Return" means any Tax Return which relates to a Separate Company Tax.

"State Income Tax" means any Income Tax imposed on corporations by any State of the United States or by any political subdivision of any such State.

"Straddle Period" means any Tax Period which includes one or more members of the New Fluor Group or the Parent Group for the entire Tax Period and which includes one or more members of the other Group for only a portion of such Tax Period.

"Tax" or "Taxes" means any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise,
severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any governmental entity or political subdivision thereof, and any interest, penalties, additions to tax, or additional amounts in respect of or related to the foregoing.

"Tax Authority" means, with respect to any Tax, the governmental entity or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such entity or subdivision.

"Tax Benefit" means any refund, credit, or other reduction in otherwise required Tax payments (including any reduction in estimated Tax payments), including, without limitation, any reduction in a Tax liability attributable to deductions resulting from expenses, depreciation, amortization or other sources.

"Tax Contest" means an audit, review, examination, or any other administrative or judicial proceeding with the purpose or effect of redetermining Taxes of any of the Companies or their Affiliates (including any administrative or judicial review of any claim for refund) for any Tax Period ending on or before, or including, the Distribution Date and any Straddle Period.

"Tax Item" means, with respect to any Income Tax, any item of income, gain, loss, deduction, or credit.

"Tax Law" means the Law of any governmental entity or political subdivision thereof relating to any Tax.

"Tax Period" means, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable Tax Law.

"Tax Records" means Tax Returns, Tax Return workpapers, documentation relating to any Tax Contests, and any other books of account or records required to be maintained under the Code or other applicable Tax Laws or under any record retention agreement with any Tax Authority.

"Tax Return" means any report of Taxes due, any claims for refund of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration, or document required to be filed under the Code or other Tax Law, including any attachments, exhibits or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

"Transactions" means the Distribution and any of the preliminary transactions which members of the New Fluor Group or the Massey Group implement or participate in so as to prepare for or otherwise facilitate the Distribution.

"Treasury Regulations" means the regulations promulgated from time to time under the Code as in effect for the relevant Tax Period.

With/Without Allocation Method means, with respect to any Consolidated or Combined Tax, the methodology for allocating the liability for such Tax among and between the Parent Group and the New Fluor Group in accordance with the principles and provisions of Section 2.01 or Section 2.02, whichever may be applicable.

(b) Other Definitional Provisions.

(i) Any term not defined above shall have the meaning ascribed thereto in the text of this Agreement where such term is first used.

(ii) The words "hereof", "herein", and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement.
(iii) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(iv) The words "includes" and "including" shall be construed as though followed by "without limitation" or words of similar import, unless the context clearly requires otherwise.

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Section 2. Allocation of Tax Liabilities.

2.01 Allocation of United States Federal Income Tax. Except as provided in Section 2.04 and subject to Section 3:

(a) Separate Tax Periods. Insofar as the New Fluor Group and/or the Parent Group file Federal Income Tax Returns for any Tax Periods which do not include any member of the other Group, the filing Group shall be liable for (and shall indemnify and hold the other Group harmless from) any Federal Income Tax that is attributable to such Tax Periods.

(b) Combined Taxable Years. If one or more members of the New Fluor Group and one or more members of the Parent Group are included in the same consolidated Federal Income Tax Return:

(i) Allocation of Tax. For any relevant taxable year beginning after October 31, 2000, (1) the Consolidated Tax Liability for the entire taxable year shall be computed by excluding the New Fluor Group (the "Federal Without Amount") and (2) the Consolidated Tax Liability for the entire taxable year shall be computed by including the New Fluor Group (but only for the portion of such taxable year during which the New Fluor Group is included in the consolidated Federal Income Tax Return) but without taking into account losses or other deductions or credits of the Parent Group not used in calculating the Federal Without Amount and losses or other deductions or credits of the New Fluor Group not used in the consolidated Federal Income Tax Return, whether any such losses, deductions or credits of the Parent Group or the New Fluor Group arise in such taxable year or are carried forward or back from another taxable year (the "Federal With Amount"). The Parent Group shall be allocated and liable for the Federal Without Amount. The New Fluor Group shall be allocated and liable for the excess, if any, of the Federal With Amount over the Federal Without Amount. If the Federal With Amount exceeds the Federal Without Amount, New Fluor shall pay the excess amount to Parent in accordance with the applicable provisions of Section 5. If the Federal With Amount is less than the Federal Without Amount, Parent shall pay the amount of the difference to New Fluor in accordance with the applicable provisions of Section 5. The allocation of Tax liabilities under this Section 2.01(b)(i) is the "Federal Allocation Method".

(ii) Allocation of Consolidated Federal Tax Adjustments. If there is any Audit Adjustment to any Tax Item for any relevant Tax Period beginning after October 31, 2000, the Federal With Amount and the Federal Without Amount shall be recalculated, in accordance with the principles of Section 2.01(b)(i), to reflect such Audit Adjustment. New Fluor shall be allocated and liable for, and shall pay to Parent in accordance with the provisions of Section 5, the amount described in whichever one (but not more than one) of the following three clauses is applicable: (1) the amount by which the excess of the Federal With Amount over the Federal Without Amount as recalculated is greater than such excess as previously (and most recently) calculated under this Section 2.01(b), (2) the amount by which the excess of the Federal Without Amount over the Federal With Amount as recalculated is less than such excess as previously (and most recently) calculated, or (3) the sum of the excess of the Federal With Amount over the Federal Without Amount as recalculated plus the excess of the Federal Without Amount over the Federal With Amount as previously (and most recently) calculated. Parent shall be allocated and liable for, and shall pay to New Fluor in accordance with the provisions of...
Section 5, the amount described in whichever one (but not more than one) of the following three clauses is applicable: (1) the amount by which the excess of the Federal With Amount over the Federal Without Amount as recalculated is less than such excess as previously (and most recently) calculated under this Section 2.01(b), (2) the amount by which the excess of the Federal Without Amount over the Federal With Amount as recalculated is greater than such excess as previously (and most recently) calculated, or (3) the sum of the excess of the Federal Without Amount over the Federal With Amount as recalculated plus the excess of the Federal With Amount over the Federal Without Amount as previously (and most recently) calculated. The parties agree and understand that their respective obligations to make payments hereunder resulting from Audit Adjustments shall apply in circumstances wherein there is no additional net Tax liability payable to a Tax Authority attributable to the adjustment of one or more Tax Items on the applicable Tax Return but the adjustments result in changes to the Federal With Amount and/or Federal Without Amount as recalculated to reflect all such Audit Adjustments.

(iii) Compensation for Loss of Tax Credits. This paragraph applies if, as a result of including members of the Parent Group and members of the New Fluor Group in a consolidated Federal Income Tax Return for a Tax Period (such Tax Period, an "Applicable Tax Period," and such return, an "Applicable Consolidated Return"), (A) the minimum tax credits or other Federal Income Tax credits generated by the Parent Group and available as a carryover to a subsequent Tax Period are less than such carryover credits would be if such members of the New Fluor Group had not been included in such Applicable Consolidated Return (the excess of (1) the amount of credits that would have been generated and available as a carryover if the New Fluor Group had not been included in the Applicable Consolidated Return, over (2) the amount of such credits generated and available as a carryover by the Parent Group is referred to herein as the "Displaced Credits"); (B) the portion of the Federal Income Tax liability for such Applicable Tax Period that is allocated to the New Fluor Group under this Section 2.01 is less than the Federal Income Tax that the New Fluor Group would have incurred, if it had not been included in such Applicable Consolidated Return, for the portion of the Applicable Tax Period during which the New Fluor Group is included in the Applicable Consolidated Return (the excess of (1) the amount of Federal Income Tax liability that would have been incurred by the New Fluor Group had it not been included in the Applicable Consolidated Return over (2) the amount of such Federal Income Tax liability allocated to the New Fluor Group under this Section 2.01 is referred to herein as the "New Fluor Group Tax Savings"); and (C) in a subsequent Tax year (a "Credit Deficiency Year") the Parent Group incurs a Federal Income Tax liability that it would not have incurred if it had available to it all or any portion of the Displaced Credits, with such availability to be determined after giving effect to any limitation on the Displaced Credits, including any limitation on the number of Tax Periods to which the Displaced Credits could have been carried under applicable Federal Income Tax Law (such Tax liability is referred to herein as the "Parent Group Additional Tax Liability"). For purposes of this paragraph, if, in a subsequent Tax year to which Displaced Credits would have been available to carry, the Parent Group does not incur a Parent Group Additional Tax Liability because the Parent Group uses other Federal Income Tax credits which are actually available ("Replacement Credits"), such Replacement Credits shall replace Displaced Credits (on a dollar-for-dollar basis) and shall thereafter be treated as Displaced Credits if and to the extent that the Replacement Credits (had they not been so used) would have been available for use by the Parent Group for periods following the expiration of the period during which the replaced Displaced Credits would have been available for use by the Parent Group, provided, however, such Replacement Credits shall not replace Displaced Credits which are taken into account with respect to a subsequent Tax year under this paragraph (it being intended that a Parent Group Additional Tax Liability shall not be deemed to result from both a Replacement Credit and the Displaced Credit which it replaces). For each such Credit Deficiency Year, New Fluor shall pay to Parent the amount of such Parent Group Additional Tax Liability, provided,
however, that in no event shall New Fluor be obligated hereunder to make payments to Parent in excess of the aggregate New Fluor Group Tax Savings, provided further, however, for purposes of this Section 2.01(b)(iii), the amount of such New Fluor Group Tax Savings shall be adjusted, in accordance with the provisions of Section 2.01(b)(iv). New Fluor's payment to Parent will be due within 20 business days following Parent's written demand therefor, which shall not be made earlier than the due date, determined without regard to extensions, for the Parent Group's Federal Income Tax Return for the Credit Deficiency Year. When making its demand for payment, Parent shall provide New Fluor with Parent's computation, in reasonable detail, of the amount payable by New Fluor pursuant to the provisions of this Section 2.01(b)(iii) together with such other information reasonably necessary to allow New Fluor to verify that a payment is due hereunder and the amount thereof. In addition to such payment, if New Fluor does not make the payment due hereunder to Parent within 3 business days after New Fluor's receipt of such written demand containing such computation and other necessary information, then New Fluor shall also pay to Parent interest on such payment amount at the Base Rate from the due date of such Tax Return to the date of payment by New Fluor of the payment required hereunder. By way of illustration (and not limitation) of the foregoing provisions, assume: (1) the Distribution Date is November 30, 2000, and Parent files an Applicable Consolidated Return for the Tax Period ending October 31, 2001 (the "2001 Period"); (2) the Parent Group has $40 Million of minimum tax credits available for carryover into the 2001 Period; (3) but for the inclusion of the New Fluor Group in the Applicable Consolidated Return for the 2001 Period, Parent would have generated in the 2001 Period an additional $4 Million of minimum tax credits available for carryover to subsequent Tax Periods; (4) as a result of the inclusion of the New Fluor Group in the Applicable Consolidated Return for the 2001 Period, the minimum tax credits generated by the Parent Group in the 2001 Period and available for carryover are reduced to $2 Million, thereby resulting in an aggregate minimum tax credit of $42 Million available for carryover to Tax Periods after the 2001 Period; (5) the Federal Income Tax liability allocated to the New Fluor Group for the 2001 Period under this Section 2.01 is $2 million less than the Federal Income Tax the New Fluor Group would have incurred for the period November 1 through November 30, 2000 if it had not been included in the Applicable Consolidated Return; (6) in the subsequent two Tax Periods of the Parent Group (ending October 31 in the years 2002 and 2003), the Parent Group generates an additional $8 Million of minimum tax credits available for carryover to subsequent Tax Periods, thereby resulting in an aggregate minimum tax credit of $50 Million available for carryover to Tax Periods ending after October 31, 2003; (7) in the 3 subsequent Tax Periods of the Parent Group (ending October 31 in the years 2004, 2005 and 2006), the Parent Group uses $50 Million of minimum tax credits to reduce its Federal Income Tax liability in such Tax Periods and does not generate any further minimum tax credits in such Tax Periods which are available for carryover to Tax Periods after the Tax Period ending October 31, 2006; and (8) in the Tax Period ending October 31, 2007 (the "2007 Period"), the Parent Group incurs a Federal Income Tax liability of $2 Million which it would not have incurred if it had use of the Displaced Credits. Under the circumstances described in the preceding sentence, the New Fluor Group Tax Savings amount is $2 Million, the 2007 Period is a Credit Deficiency Year, and, upon receipt of the Parent Group's written demand on or after the due date (without extension) for the Parent Group's Federal Income Tax Return for the 2007 Period, New Fluor shall be obligated to pay $2 Million to Parent within 20 business days following New Fluor's receipt of such written demand. This paragraph shall also apply, and New Fluor shall have identical rights and obligations comparable to those provided under Section 2.01(b)(iv), in the event that, as a result of the inclusion of members of the New Fluor Group and members of the Parent Group in a consolidated Federal Income Tax Return, the carryover credits otherwise generated by the New Fluor Group and available as a carryover are reduced and the Parent Group realizes a reduction in its Federal Income Tax liability for the Applicable Tax Period on such consolidated Federal Income Tax Return.

(iv) Further Provisions Regarding Compensation for Lost
(A) This paragraph (iv)(A) applies if (1), as a result of the inclusion of the New Fluor Group in an Applicable Consolidated Return, (x) the amount of Federal Income Tax credits that are available to the New Fluor Group as a carryover to Tax Periods following the Applicable Tax Period exceeds (y) the amount of such credits that would have been available to the New Fluor Group as a carryover to such subsequent Tax Periods had it not been included in the Applicable Consolidated Return (the excess of the amount described in the foregoing clause (x) over the amount described in the foregoing clause (y) is referred to herein as the "Excess Credits"), and (2) in a subsequent Tax year (an "Excess Credit Recovery Year") the Federal Income Tax liability incurred by the New Fluor Group is reduced as a result of its use of all or any portion of such Excess Credits, provided, however, for such purposes such Excess Credits shall not be deemed to have been used until all other Federal Income Tax credits available to the New Fluor Group in such Excess Credit Recovery Year have been used (the amount of any such Federal Tax reduction is referred to herein as an "Excess Credit Reduction"). Effective as of the due date (determined without regard to extensions) for the New Fluor Group's Federal Income Tax Return for such Excess Credit Recovery Year, the amount of such Excess Credit Reduction shall be added to the then remaining New Fluor Group Tax Savings (as previously adjusted under this Section 2.01(b)(iv), if applicable), with such adjusted New Fluor Group Tax Savings to be the limitation on New Fluor Group's payment obligations under Section 2.01(b)(iii). Promptly after filing such Federal Income Tax Return, New Fluor shall notify Parent of the amount added to the New Fluor Group Tax Savings, and shall provide to Parent New Fluor's computation thereof (in reasonable detail) and such other information reasonably necessary to allow Parent to verify such amount.

(B) This paragraph (iv)(B) applies if (1) as a result of the inclusion of the New Fluor Group in an Applicable Consolidated Return, (x) the amount of Federal Income Tax credits that are available to the New Fluor Group as a carryover to Tax Periods following the Applicable Tax Period is less than (y) the amount of such credits that would have been available to the New Fluor Group as a carryover to such subsequent Tax Periods had it not been included in the Applicable Consolidated Return (the excess of the amount described in the foregoing clause (y) over the amount described in the foregoing clause (x) is referred to herein as the "Displaced NFG Tax Credits"), and (2) in a subsequent Tax year (an "NFG Tax Credit Deficiency Year") (x) the Federal Income Tax liability incurred by the New Fluor Group exceeds (y) the amount of such Tax liability that the New Fluor Group would have incurred if it had available to it as a carryover all or any portion of the Displaced NFG Tax Credits, with such availability to be determined after giving effect to any limitation on the use of the Displaced NFG Tax Credits, including without limitation the number of Tax Periods to which the Displaced NFG Tax Credits could have been carried under applicable Federal Income Tax Law (the excess of the amount described in the foregoing clause (x) over the amount described in the foregoing clause (y) is referred to herein as the "NFG Additional Tax Amount"). For purposes of this paragraph, if, in a subsequent Tax year to which Displaced NFG Tax Credits would have been available to carry, the New Fluor Group does not incur an NFG Additional Tax Amount because the New Fluor Group uses other Federal Income Tax credits which are actually available ("Replacement NFG Credits"), such Replacement NFG Credits shall replace Displaced NFG Tax Credits (on a dollar-for-dollar basis) and shall thereafter be treated as Displaced NFG Tax Credits if and to the extent that the Replacement NFG Credits (had they not been so used) would have been available for use by the New Fluor Group for periods following the expiration of the period during which the replaced Displaced NFG Tax Credits would have been available for use by the New Fluor Group, provided, however, such Replacement NFG Credits shall not replace Displaced NFG Tax Credits which are taken into account with respect to a subsequent Tax year under this paragraph (it being intended that an NFG Additional Tax Amount shall not be deemed to result from both a Replacement NFG Credit and the Displaced NFG Tax Credit which it replaces). Effective as of the
due date (determined without regard to extensions) for the New Fluor Group's Federal Income Tax Return for such NFG Tax Credit Deficiency Year, the amount of the then remaining New Fluor Group Tax Savings (as previously adjusted under this Section 2.01(b)(iv), if applicable) shall be reduced by such NFG Additional Tax Amount, with such adjusted New Fluor Group Tax Savings to be the limitation on New Fluor Group's payment obligations under Section 2.01(b)(iii). Promptly after filing such Federal Income Tax Return, New Fluor shall notify Parent of the amount subtracted from the New Fluor Group Tax Savings, and shall provide to Parent New Fluor's computation thereof (in reasonable detail) and such other information reasonably necessary to allow Parent to verify such amount.

(v) Payments Related to Displaced Tax Losses and Section 29 Credits. This paragraph applies if (A) as a result of including members of the Parent Group and members of the New Fluor Group in a consolidated Federal Income Tax Return for a Tax Period (such Tax Period, an "Applicable Tax Period," and such return, an "Applicable Consolidated Return"), the Federal net operating loss ("NOL") or other Federal losses generated by the Parent Group and available (after taking into account any carryback of any such loss) as a carryover to a subsequent Tax Period are less than such loss carryovers would be if such members of the New Fluor Group had not been included in such Applicable Consolidated Return (the excess of (1) the amount of losses that would have been generated and available as a carryover if the New Fluor Group had not been included in the Applicable Consolidated Return, over (2) the amount of such losses generated and available as a carryover by the Parent Group is referred to herein as the "Displaced Losses"); and (B) the use of the Displaced Losses in the Applicable Consolidated Return prevents the use in the Applicable Consolidated Return of credits under Code Section 29 that the New Fluor Group would have used, if none of its members were included in the Applicable Consolidated Return, in the Tax year including the portion of the Applicable Tax Period for which members of the New Fluor Group are included in the Applicable Consolidated Return (any such Section 29 credits, minus the amount of such credits that, in effect, increase minimum tax credits of the New Fluor Group under Code Section 53(d)(1)(B)(iii), "Displaced Section 29 Credits"). If the preceding conditions (A) and (B) are satisfied, (i) the amount of Federal Income Tax liability that otherwise would be allocated to New Fluor under this Section 2.01 for the Applicable Tax Period shall be reduced (for all purposes of this Agreement) by the amount of Displaced Section 29 Credits, and (ii) New Fluor shall pay to Parent, as provided in the next sentence, one or more amounts up to an aggregate amount equal to 50% of the amount of Displaced Section 29 Credits (the "Credit Sharing Amount"). If, in any one or more subsequent Tax years (each a "Loss Deficiency Year"), the Parent Group would have been able to claim a deduction for all or any portion of the Displaced Losses if the Displaced Losses were available, with such availability to be determined after giving effect to any limitation on the use of the Displaced Losses, including any limitation on the number of Tax Periods to which the Displaced Losses could have been carried under applicable Federal Income Tax Law, New Fluor shall pay to Parent, with respect to each such Loss Deficiency Year, an amount equal to the product of (1) the Credit Sharing Amount and (2) the ratio of (x) the amount of Displaced Losses that the Parent Group would have been able to claim as a deduction for the Loss Deficiency Year to (y) the total amount of Displaced Losses. New Fluor's payment to Parent will be due within 20 business days following Parent's written demand therefor, which shall not be made earlier than the due date, determined without regard to extensions, for the Parent Group's Federal Income Tax Return for the Loss Deficiency Year. When making its demand for payment, Parent shall provide New Fluor with Parent's computation, in reasonable detail, of the amount payable by New Fluor pursuant to the provisions of this Section 2.01(b)(v) together with such other information reasonably necessary to allow New Fluor to verify that a payment is due hereunder and the amount thereof. In addition to such payment, if New Fluor does not make the payment due hereunder to Parent within 3 business days after New Fluor's receipt of such written demand containing such computation and other necessary information, then New Fluor shall also pay to Parent interest on such payment amount at the Base Rate from the due date of such Tax Return to the date of payment by New Fluor of the payment required hereunder. By way of illustration (and not limitation) of the
foregoing provisions, assume: (1) for the Applicable Tax Period the Federal
Without Amount is zero and the Parent Group has $8 Million of NOL that would,
but for the inclusion of the New Fluor Group in the Applicable Consolidated
Return for the Applicable Tax Period and after taking into account any carryback
of the NOL, be available for carryover to subsequent Tax Periods; (2) for the
portion of such Applicable Tax Period in which the New Fluor Group is included
in the Applicable Consolidated Return, the New Fluor Group has $8 Million of
taxable income and $2 Million of Section 29 Credits, resulting in a Tax
liability (at a 35% rate) of $2.8 Million before taking such credits into
account and a Tax liability of $800,000 after taking such credits into account
(in each case without taking into account the Parent Group's $8 Million NOL);
(3) based on the foregoing, (A) the Federal Income Tax Liability allocated to
New Fluor is $800,000 (rather than $2.8 Million), which is calculated by
reducing the $2.8 Million of Federal Income Tax Liability otherwise allocable to
New Fluor by the $8 Million of Section 29 Credits which would have been taken
into account but for the use of the Parent Group $8 Million NOL in the
Applicable Consolidated Return and which do not, in effect, increase minimum tax
credits of the New Fluor Group pursuant to Code Section 53(d)(1)(B)(iii), and
(B) the Parent Group has $8 Million of Displaced Losses; (4) in the Tax year
following the Applicable Tax Period ("Year 2"), the Parent Group has $8 Million
taxable income against which all $8 Million of Displaced Losses could have
been used if they had not been displaced. Under the circumstances described in
the preceding sentence, the payment which New Fluor would make to Parent with
respect to Year 2 would be $1 Million (i.e., the entire Credit Sharing Amount of
50% of the Displaced Section 29 Credits). By way of further illustration, if the
facts were the same as in the foregoing illustration except that the Parent
Group has $4 Million of taxable income in each of the two subsequent years
("Year 2" and "Year 3") against which it could have used its Displaced Losses,
New Fluor would have a payment obligation of $500,000 under this paragraph with
respect to Year 2 ($1 Million Credit Sharing Amount multiplied by ($4 Million
divided by $8 Million) = $500,000) and a payment obligation of $500,000 under
this paragraph with respect to Year 3 ($1 Million Credit Sharing Amount
multiplied by ($4 Million divided by $8 Million) = $500,000).

(vi) This paragraph applies with respect to any period during
which (1) the sum of the New Fluor Group Tax Savings as determined under Section
2.01(b)(iii), as adjusted under Section 2.01(b)(iv), plus the Credit Sharing
Amount determined under Section 2.01(b)(v), exceeds $1,750,000 (such aggregate
amount, as adjusted from time to time, is referred to herein as the "Aggregate
Parent Recovery Amount"), and (2) neither Moody's Investors Services, Inc.
("Moody's") nor Standard & Poor's Ratings Services, a division of McGraw-Hill
Company ("S&P"), or any successor to either of them, issues or otherwise assigns
an investment grade credit rating to New Fluor. For this purpose, investment
grade means a rating of Baa-2 or higher by Moody's and BBB or higher by S&P.
Within 20 business days after the first day as of which both conditions
described in the foregoing clauses (1) and (2) are satisfied, New Fluor, unless
affirmatively waived by Parent, shall secure its obligation to make payments to
Parent pursuant to the provisions of Section 2.01(b)(iii) or Section 2.01(b)(v),
whichever may be applicable, through a letter of credit in favor of Parent
issued by a bank or other financial institution having reported assets of at
least $10 billion and approved by Parent, which approval shall not be
unreasonably withheld, with such letter of credit to have a face amount equal to
100% of the Aggregate Parent Recovery Amount, provided, however, such face
amount shall be reduced to the extent that the amount of the remaining balance
of the Aggregate Parent Recovery Amount is reduced by reason of payments
pursuant to Section 2.01(b)(iii), reduction adjustments under Section
2.01(b)(iv)(B) or payments pursuant to Section 2.01(b)(v), and such face amount
shall be increased to the extent the Aggregate Parent Recovery Amount is
increased under Section 2.01(b)(iv)(A). Such letter of credit shall remain in
effect or be renewed by New Fluor until the earlier of (x) the date as of which
the remaining balance of the Aggregate Parent Recovery Amount is less than
$1,750,000 or (y) the effective date as of which New Fluor regains an investment
grade credit rating, at which time such letter of credit shall no longer be
required and may be revoked, subject to reinstatement or replacement if and when
the two conditions described in the first sentence of this paragraph again exist.

(vii) This paragraph applies if, as a result of the use in a consolidated Federal Income Tax Return of an NOL or other loss of the Parent Group that is not taken into account in computing the Federal With Amount, the amount of Federal Income Tax liability allocated to New Fluor and paid by New Fluor to Parent exceeds the amount of the actual Federal Income Tax liability for the Tax Period (the "Initial Period") for which the consolidated Federal Income Tax Return is filed (any such excess, the "Excess Payment Amount"). In such case, the Excess Payment Amount (or pro rata portion thereof) shall be compared to the amount of Federal Income Tax (the "Tax Detriment Amount") incurred by the Parent Group, as a result of not having available such NOL or other loss, for each Tax Period (an "Other Period") when such NOL or other loss (or pro rata portion thereof) would have been used, either as a carryback or a carryforward, had the NOL or other loss not been used in the consolidated Federal Income Tax Return for the Initial Period. If the Excess Payment Amount (or pro rata portion thereof) exceeds the Tax Detriment Amount for an Other Period because the Federal With Amount for the Initial Period was based on the regular tax rate but the Parent Group is taxable at the alternative minimum tax rate for the Other Period, Parent shall pay to New Fluor an amount equal to 50% of the difference between the Excess Payment Amount and the Tax Detriment Amount; provided, however, that New Fluor shall repay such amount to Parent if the Parent Group subsequently becomes taxable at the regular tax rate for any Tax Period. If the Excess Payment Amount (or pro rata portion thereof) is less than the Tax Detriment Amount for an Other Period because the Federal With Amount was based on the alternative minimum tax rate but the Parent Group is taxable at the regular tax rate for the Other Period, New Fluor shall pay to Parent an amount equal to 50% of the difference between the Excess Payment Amount and the Tax Detriment Amount. Any payment under this paragraph will be due within 20 business days following the payee's written demand therefor, which shall not be made earlier than the due date, determined with regard to extensions, for (i) the Parent Group's Federal Income Tax Return for the Other Period with respect to which the payment is to be made, or (ii) if such Other Period precedes the Initial Period, the Initial Period, or (iii) in the case of a repayment to Parent, the Parent Group's Tax Period for which it becomes taxable at the regular tax rate. As soon as practicable after the end of the applicable Tax Period described in the preceding sentence, Parent shall provide New Fluor with Parent's computation, in reasonable detail, of the amount payable by New Fluor with Parent's computation, in reasonable detail, of the amount payable by New Fluor or by Parent pursuant to the provisions of this Section 2.01(b)(vii), together with such other information reasonably necessary to allow New Fluor to verify that a payment is due hereunder and the amount thereof. In addition to such payment, if the payor does not make the payment due hereunder to the payee within 3 business days after the payee's receipt of the written demand therefor, then the payor shall also pay to the payee interest on such payment amount at the Base Rate from the due date (determined with regard to extensions) of such Tax Return to the date of payment by the payor of the payment required hereunder.

(viii) The parties agree and acknowledge that the provisions of Sections 2.01(b)(iii) through 2.01(b)(vii) shall be applied after giving effect to any adjustments resulting from any Adjustment Requests or Audit Adjustments.

2.02 Allocation of State Income Taxes and Foreign Income Taxes.

Except as provided in Section 2.04 and subject to Section 3, State Income Taxes and Foreign Income Taxes shall be allocated as follow:

(a) Separate Company Taxes. In the case of any State Income Tax or Foreign Income Tax which is a Separate Company Tax, the Parent Group and the New Fluor Group shall be allocated and liable for such Tax imposed on any member or members of their respective Groups, but only for such periods as such membership existed. For such purposes, the parties agree that New Fluor shall be allocated and liable for all State Income Taxes and Foreign Income Taxes of Parent with respect to all Tax Periods (or portions thereof) through the
Distribution Date, provided further, however, for such purposes any Tax Period of Parent that includes but does not end on the Distribution Date shall be treated as ending on the Distribution Date, with New Fluor to be allocated and liable for only the State Income Tax liability or Foreign Income Tax liability (as applicable) with respect to the Tax Items apportioned to the portion of such Tax Period through the Distribution Date in accordance with the principles of Section 3. All such Separate Company Taxes shall be paid by the party to whom they are allocated hereunder in accordance with the provisions of Section 5.

(b) Consolidated or Combined Taxes. In the case of any State Income Tax or Foreign Income Tax which is a Consolidated or Combined Tax, the liability of the parties with respect to such Tax for any Tax Period shall be computed and allocated as follows:

(i) Allocation of Tax. For any relevant taxable year beginning after October 31, 2000, (1) the Consolidated or Combined State Income Tax or Foreign Income Tax (whichever may be applicable) for the entire taxable year shall be computed by excluding the New Fluor Group (the "State/Foreign Without Amount") and (2) the Consolidated or Combined State Income Tax or Foreign Income Tax (whichever may be applicable) for the entire taxable year shall be computed by including the New Fluor Group (but only for the portion of such taxable year during which the New Fluor Group is included in the Consolidated or Combined Tax Return) but without taking into account losses or other deductions or credits of the Parent Group not used in calculating the State/Foreign Without Amount and losses or other deductions or credits of the New Fluor Group not used in the Consolidated or Combined Tax Return, whether any such losses, deductions or credits of the Parent Group or the New Fluor Group arise in such taxable year or are carried forward or back from another taxable year (the "State/Foreign With Amount"). The Parent Group shall be allocated and liable for the State/Foreign Without Amount. New Fluor shall be allocated and liable for the excess, if any, of the State/Foreign With Amount over the State/Foreign Without Amount. If the State/Foreign With Amount exceeds the State/Foreign Without Amount, New Fluor shall pay the excess amount to Parent in accordance with the provisions of Section 5. If the State/Foreign With Amount is less than the State/Foreign Without Amount, Parent shall pay the amount of the difference to New Fluor in accordance with the provisions of Section 5.

Notwithstanding the foregoing, with respect to any Tax Period ending after October 31, 2000 and on or before October 31, 2001, (i) the amount of Consolidated or Combined State Income Tax or Foreign Income Tax allocated to, and payable by, the Parent Group shall be zero in the case of any jurisdiction where no member of the Massey Group would be subject to State Income Tax or Foreign Income Tax, as applicable, but for (A) affiliation with one or more members of the New Fluor Group prior to the Distribution, or (B) affiliation with Parent following the Distribution, provided, however, this clause (B) shall not apply if and to the extent that such State Income Tax or Foreign Income Tax is attributable to operations or activities in which Parent engages following the Distribution; (ii) in the case of any jurisdiction where no member of the New Fluor Group would be subject to State Income Tax but for affiliation with one or more members of the Massey Group prior to the Distribution, the amount of Consolidated or Combined State Income Tax in such jurisdiction that is allocable to the New Fluor Group shall be 50% of the amount otherwise allocable under the foregoing provisions of this Section 2.02(b)(i), in which case the remaining 50% shall be allocable to and paid by Parent; and (iii) Parent shall be allocated and shall pay 50% of the excess (if any) of (A) the amount of Kentucky, Virginia and West Virginia State Income Taxes that are otherwise allocable to the New Fluor Group under the foregoing provisions of this Section 2.02(b)(i), over (B) the amount of Kentucky, Virginia and West Virginia State Income Taxes that would have been incurred by the members of the New Fluor Group had the New Fluor Group (or any members thereof) filed State Separate Company Income Tax Returns in such States on a basis consistent with the State Separate Company Income Tax Returns (if any) filed by such New Fluor Group members in such States prior to the Distribution.

(ii) Allocation of Combined or Consolidated State Income Tax and Foreign Income Tax Adjustments. If there is any Audit Adjustment to any
Tax Item for any relevant Tax Period beginning after October 31, 2000, the State/Foreign With Amount and the State/Foreign Without Amount shall be recalculated, in accordance with the principles of Section 2.02(b)(i), to reflect such Audit Adjustment. With respect to each such recalculation, New Fluor shall be allocated and liable for, and shall pay to Parent in accordance with the provisions of Section 5, the amount described in whichever one (but not more than one) of the following three clauses is applicable: (1) the amount by which the excess of the State/Foreign With Amount over the State/Foreign Without Amount as recalculated is greater than such excess as previously (and most recently) calculated under this Section 2.02(b), (2) the amount by which the excess of the State/Foreign Without Amount over the State/Foreign With Amount as recalculated is less than such excess as previously (and most recently) calculated or (3) the sum of the excess of the State/Foreign With Amount over the State/Foreign Without Amount as recalculated plus the excess of the State/Foreign Without Amount over the State/Foreign With Amount as previously (and most recently) calculated. With respect to each such recalculation, Parent shall be allocated and liable for, and shall pay to New Fluor in accordance with the provisions of Section 5, the amount described in whichever one (but not more than one) of the following three clauses is applicable: (1) the amount by which the excess of the State/Foreign With Amount over the State/Foreign Without Amount as recalculated is less than such excess as previously (and most recently) calculated under this Section 2.02(b), (2) the amount by which the excess of the State/Foreign Without Amount over the State/Foreign With Amount as recalculated is greater than such excess as previously (and most recently) calculated or (3) the sum of the excess of the State/Foreign With Amount over the State/Foreign Without Amount as recalculated plus the excess of the State/Foreign Without Amount over the State/Foreign With Amount as previously (and most recently) calculated. The parties agree and understand that their respective obligations to make payments hereunder resulting from Audit Adjustments shall apply in circumstances wherein there is no additional net Tax liability payable to a Tax Authority attributable to the adjustment of one or more Tax Items on the applicable Tax Return but the Audit Adjustments result in changes to the State/Foreign With Amount and/or State/Foreign Without Amount as recalculated to reflect such Audit Adjustments.

Notwithstanding the foregoing, with respect to any Tax Period ending after October 31, 2000 and on or before October 31, 2001, (i) the amount of Consolidated or Combined State Income Tax or Foreign Income Tax allocated to, and payable by, the Parent Group shall be zero in the case of any jurisdiction where no member of the Massey Group would be subject to State Income Tax or Foreign Income Tax, as applicable, but for (A) affiliation with one or more members of the New Fluor Group prior to the Distribution, or (B) affiliation with Parent following the Distribution, provided, however, this clause (B) shall not apply if and to the extent that such State Income Tax or Foreign Income Tax is attributable to operations or activities in which Parent engages following the Distribution; (ii) in the case of any jurisdiction where no member of the New Fluor Group prior to the Distribution, the amount of Consolidated or Combined State Income Tax in such jurisdiction that is allocable to the New Fluor Group shall be 50% of the amount otherwise allocable under the foregoing provisions of this Section 2.02(b)(ii), in which case the remaining 50% shall be allocable to and paid by Parent; and (iii) Parent shall be allocated and shall pay 50% of the excess (if any) of (A) the amount of Kentucky, Virginia and West Virginia State Income Taxes that are otherwise allocable to the New Fluor Group under the foregoing provisions of this Section 2.02(b)(ii), over (B) the amount of Kentucky, Virginia and West Virginia State Income Taxes that would have been incurred by the members of the New Fluor Group had the New Fluor Group (or any members thereof) filed State Separate Company Income Tax Returns in such States on a basis consistent with the State Separate Company Income Tax Returns (if any) filed by such New Fluor Group members in such States prior to the Distribution.
2.03 Allocation of Other Taxes. Except as provided in Section 2.04, all Taxes other than those allocated pursuant to Sections 2.01 and 2.02, (herein "Other Taxes") shall be allocated to the legal entity on which the legal incidence of the Other Tax is imposed. For such purposes, the parties agree that New Fluor shall be allocated and liable for all such Other Taxes imposed on Parent with respect to all Tax Periods (or portions thereof) through the Distribution Date, provided further, however, for such purposes any Tax Period of Parent that includes but does not end on the Distribution Date shall be treated as ending on the Distribution Date, with New Fluor to be allocated and liable for only (1) the Other Tax liability with respect to the Tax Items apportioned to the portion of such Period through the Distribution Date in accordance with the principles of Section 3, and (2) the Other Tax liability with respect to Tax Items apportioned to the portion of the Period after the Distribution Date to the extent that such Other Tax liability would not have been incurred absent the activities or existence of Parent during such portion of the Period through the Distribution Date. As between the parties to this Agreement, New Fluor shall be allocated and liable for all Other Taxes imposed on any member of the New Fluor Group and, except as expressly provided otherwise in the immediately preceding sentence with respect to Other Taxes imposed on Parent with respect to portions of a Tax Period through the Distribution Date, Parent shall be allocated and liable for all Other Taxes imposed on any member of the Parent Group. The Companies believe that there is no Other Tax not allocated pursuant to this Section 2.03 which is legally imposed on more than one legal entity (e.g., joint and several liability); provided, however, if there is any such Other Tax, it shall be allocated in accordance with past practices as reasonably determined by the affected Companies, or in the absence of such practices, in accordance with any allocation method agreed upon by the affected Companies, it being agreed that "with and without" principles comparable to those described in Sections 2.01 and 2.02 will be applied unless to do so would be clearly inequitable. All such Other Taxes shall be paid by the party to whom they are allocated hereunder in accordance with the provisions of Section 5.

2.04 Transaction Taxes and Certain Other Taxes.

(a) General Allocations of Tax Liabilities.

(i) Except as otherwise provided in this Section 2.04, New Fluor shall be liable for and obligated hereunder to pay 60%, and Parent shall be liable for and obligated hereunder to pay 40%, of any liability for Taxes imposed on any member of the Parent Group or the New Fluor Group as a result of or with respect to any of the Transactions, including, without limitation, any Tax resulting from any income or gain recognized as a result of any of the Transactions, but excluding any Tax resulting from any income or gain recognized under Treasury Regulation Sections 1.1502-13 or 1.1502-19 (or any corresponding provisions of other applicable Tax Laws) as a result of, but not generated by, the Transactions.

(ii) Except to the extent provided otherwise under Sections 2.04(b) and 2.04(d), if, pursuant to applicable Federal Income Tax Laws or State Income Tax Laws, the Distribution does not qualify for tax-free treatment under Code Section 355 and/or comparable

State Income Tax Laws and as a result the Distribution is treated for Income Tax purposes as a taxable transaction with respect to which Parent is required to recognize taxable income, the resulting Tax liability shall be allocated 40% to Parent and 60% to New Fluor.

(iii) Notwithstanding the provisions of Section 2.04(a)(i), New Fluor shall be liable for and obligated hereunder to pay 100% of any sales, use, gross receipts or other transfer Taxes imposed on or with respect to any transfers occurring pursuant to the Transactions.

(iv) Notwithstanding the provisions of Section 2.04(a)(i)
or any other provision of this Agreement, there shall be allocated to New Fluor, and New Fluor shall be liable to the Parent Group for, any Specified State Taxes (as defined herein) that otherwise would be allocable under Sections 2.02 and/or 2.03 of this Agreement to the Parent Group (including Specified State Taxes arising in Tax Periods beginning after the Distribution Date) to the extent that the aggregate amount of such Specified State Taxes exceeds the aggregate amount of such Specified State Taxes that members of the Massey Group would have incurred if the Transactions had not occurred (such excess, the "Incremental Taxes"), provided, however, that (i) the liability of New Fluor under this Section 2.04(a)(iv) shall be limited to the first $1 Million of Incremental Taxes plus 50% of the next $2 Million of Incremental Taxes, for a total potential liability of $2 Million of Incremental Taxes, and (ii) New Fluor shall not be liable under this Section 2.04(a)(iv) for Incremental Taxes attributable to or imposed as a result of operations or activities in which Parent engages following the Distribution. As used herein the term "Specified State Taxes" shall mean (A) State Income Taxes, State franchise Taxes (whether based on income or capital, including without limitation West Virginia franchise Taxes) and Kentucky license Taxes; and (B) all other State Taxes, provided, however, that in the case of State Taxes not described in clause (A), only 50% of the excess of such State Taxes over the amount of such State Taxes that members of the Massey Group would have incurred if the Transactions had not occurred are to be treated as Incremental Taxes; and provided further, the term Specified State Taxes shall not mean or include State Taxes the allocation and liability for which is determined pursuant to the provisions of Section 2.04(a)(ii), Section 2.04(a)(iii), Section 2.04(b), Section 2.04(c) or Section 2.04(d). The parties intend and agree that (A) Parent shall be liable for and obligated to pay all Incremental Taxes otherwise allocated to Parent under this Agreement other than the $2,000,000 of Incremental Taxes allocated to New Fluor hereunder, and (B) the provisions of Section 2.04(a)(i) shall not apply to Incremental Taxes.

(b) Certain Other Allocations.

(i) New Fluor shall be allocated, and shall be solely liable and obligated hereunder to pay, any liability for any Restructuring Tax to the extent that such liability arises from: (A) any breach of New Fluor's covenants under Section 11 or under the Distribution Agreement, or (B) the material inaccuracy of factual statements or representations made with respect to members of the New Fluor Group in the Ruling Request, but only to the extent that (1) such inaccuracy arises from facts in existence prior to the Distribution Date and (2) Parent has actual knowledge of such inaccuracy as of the Distribution Date.

(ii) Parent shall be allocated, and shall be solely liable and obligated hereunder to pay, any liability for any Restructuring Tax to the extent that such liability arises from: (A) any breach of Parent's covenants under Section 11 or under the Distribution Agreement; or (B) the material inaccuracy of factual statements or representations made with respect to members of the Massey Group in the Ruling Request, but only to the extent that (1) such inaccuracy arises from facts in existence prior to the Distribution Date and (2) A.T. Massey has actual knowledge of such inaccuracy as of the Distribution Date.

(c) Tax Liability in Connection with Appalachian Synfuel, LLC. Parent shall be allocated and shall be solely liable hereunder for all Taxes which arise in connection with, or as a result of (i) the transfer (by sale, dividend or otherwise) by Fluor Enterprises, Inc., a member of the New Fluor Group ("FEI"), of all or part of its ownership interest in Appalachian Synfuel, LLC to Parent or to a member or members of the Parent Group or to an entity in which Parent or a member or members of the Parent Group have an equity interest, or as otherwise directed by Parent, or (ii) a liquidation or redemption of FEI's interest in Appalachian Synfuel, LLC (all such Taxes allocated hereunder to Parent shall be referred to herein as "ASLLC Transfer Taxes"). Such ASLLC Transfer Taxes shall include, without limitation, Taxes resulting from FEI's deferred intercompany gain which arises in connection with such transfer,
liquidation or redemption. For purposes of implementing the foregoing provisions of this Section 2.04(c), the parties agree that the gain or income to which such ASLLC Transfer Taxes are attributable shall be treated as the gain or income of the Parent Group (and not of the New Fluor Group) for purposes of calculating the Federal With and Without Amounts and the State/Foreign With and Without Amounts under Section 2.01(b)(i) and Section 2.02(b)(i), respectively.

(d) Allocation of Tax Incurred Pursuant to Code Section 355(e).
If Parent incurs a Restructuring Tax liability as a result of the application of the provisions of Code Section 355(e) and/or a comparable State Income Tax Law (or comparable provisions of successor Federal or State Income Tax Laws), Parent shall be allocated and solely liable hereunder to pay 100% of such Restructuring Tax liability if it is incurred because of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, stock or assets representing a 50% or greater interest (within the meaning of Code Section 355(e) or such comparable or successor Tax Laws) in Parent. New Fluor shall be allocated and solely liable hereunder to pay 100% of such Restructuring Tax liability if it is incurred because of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, stock or assets representing a 50% or greater interest (within the meaning of Code Section 355(e) or such comparable or successor Tax Laws) in New Fluor. For purposes of this Section 2.04(d), the value of any Tax Benefits used or lost by reason of Parent's recognition of gain under Code Section 355(e) or such comparable or successor Tax Laws will be treated as a Restructuring Tax liability.

(e) Payment. All Tax liabilities allocated pursuant to the foregoing provisions of this Section 2.04 shall be paid by the party to whom they are allocated in accordance with the provisions of Section 5.

Section 3. Proration of Taxes for Straddle Periods. In the case of any Straddle Period for which a Consolidated or Combined Tax Return is filed (a "Straddle Period Consolidated or Combined Tax Return"), Tax Items of the members of the Group which are included for only a portion of the Straddle Period (the "Short Period Group") shall be apportioned between (i) the portion of such Straddle Period during which such Short Period Group members are so included and (ii) the portion of such Straddle Period during which such Short Period Group members are not so included. This apportionment shall be in accordance with the principles of Treasury Regulation Section 1.1502-76(b) as reasonably interpreted and applied by the Companies. In the case of any Federal or State Income Tax Return which is a Straddle Period Consolidated or Combined Tax Return as to which the New Fluor Group is the Short Period Group, if so requested by New Fluor, Parent's (and to the extent required, other members of the Parent Group) shall make or, if applicable, join with any necessary or appropriate members of the New Fluor Group in making, an election under Treasury Regulation Section 1.1502-76(b)(2)(ii)(D), or comparable State Tax Law, to have the Tax Items (other than extraordinary items) of the New Fluor Group ratably allocated. If the Distribution date is not an Accounting Cutoff Date, the provisions of Treasury Regulations Section 1.1502-76(b)(2)(iii) and comparable State Tax Law shall be applied to ratably allocate the items (other than extraordinary items) for the month which includes the Distribution Date.

Section 4. Preparation and Filing of Tax Returns.

4.01 General. Except as otherwise provided in this Section 4, Tax Returns shall be prepared and filed when due (including extensions) by the person obligated to file such Tax Returns under the Code or applicable Tax Law. Each Company shall assist and cooperate (and shall cause its Affiliates to do likewise) with the other Company in accordance with Section 7 with respect to the preparation and filing of Tax Returns, including providing information required to be provided in Section 7. Except as otherwise provided herein, neither Company shall amend a Tax Return for which the other Company has responsibility pursuant to this Section 4 unless written consent (which shall not be unreasonably withheld) to such amended return is secured from the other
4.02 New Fluor's Responsibility. New Fluor has the exclusive obligation and right to prepare and/or file (as specified hereinbelow) the following Tax Returns (including original and amended returns and refund claims) or to cause such Tax Returns to be prepared and filed:

(a) Prepare and file Consolidated or Combined Tax Returns for all Tax Periods ending on or before October 31, 2000;

(b) Prepare and file Separate Company Tax Returns for any member or members of the New Fluor Group;

(c) Prepare and file all Tax Returns, for periods ending on or after October 31, 2000, for Massey Coal Company, a Delaware limited partnership that will be wholly-owned by members of the New Fluor Group following the Distribution; and

(d) Prepare, for filing by Parent, the Consolidated or Combined State Income Tax Returns for the Applicable States (as defined herein) for Tax Periods beginning on or after November 1, 2000 and ending on or before October 31, 2001 (the "Applicable State Consolidated or Combined Tax Returns"). As used herein the term "Applicable States" means Alaska, Arizona, California, Illinois, Minnesota, Nebraska and South Carolina.

In preparing any such Consolidated or Combined Tax Returns described in Section 4.02(a), New Fluor shall accept the pro forma Tax returns, Tax workpapers and other

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Tax Item positions and calculations that pertain exclusively to the Massey Group as prepared and furnished to New Fluor by A.T. Massey or (after the Distribution Date) by Parent, provided that such materials are prepared in accordance with the requirements of Sections 4.04 and 4.05, and provided further, that New Fluor shall not be obligated to report any Tax Item as proposed by A.T. Massey or Parent (whichever is applicable) if New Fluor believes in good faith that there is no reasonable basis for the tax treatment of such Tax Item as proposed by A.T. Massey or Parent (whichever is applicable), provided, however, that if such Tax Item relates to a tax shelter as defined in Code Section 6662(d)(2)(C), New Fluor shall not be obligated to report such Tax Item as proposed by A.T. Massey or Parent (whichever is applicable) if New Fluor reasonably concludes that it is more likely than not that the tax treatment of such Tax Item as proposed by A.T. Massey or Parent (whichever is applicable) does not comply with applicable Tax Laws.

4.03 Parent's Responsibility. Parent has the exclusive obligation and right to prepare and/or file (as specified hereinbelow) the following Tax Returns (including original and amended returns and refund claims) or to cause such Tax Returns to be prepared and filed:

(a) Prepare and file Consolidated or Combined Tax Returns for all Tax Periods beginning on or after November 1, 2000, provided, however, in the case of the Applicable State Consolidated or Combined Tax Returns, such Returns shall be prepared by New Fluor pursuant to Section 4.02(d) and Parent shall file such Returns as submitted by New Fluor to Parent; and

(b) Prepare and file Separate Company Tax Returns for any member or members of the Parent Group.

In preparing any such Consolidated or Combined Tax Returns described in Section 4.03(a), other than Applicable State Consolidated or Combined Tax Returns, Parent shall accept the pro forma Tax Returns, Tax workpapers and other Tax Item positions and calculations that pertain exclusively to the New Fluor Group as prepared and furnished to Parent by New Fluor, provided that such materials are prepared in accordance with the requirements of Sections 4.04 and 4.05, and provided further, that Parent shall not be obligated to report any Tax
Item as proposed by New Fluor if Parent believes in good faith that there is no reasonable basis for the tax treatment of such Tax Item as proposed by New Fluor, provided, however, if such Tax Item relates to a tax shelter as defined in Code Section 6662(d)(2)(C), Parent shall not be obligated to report such Tax Item as proposed by New Fluor if Parent reasonably concludes that it is more likely than not that the tax treatment of such Tax Item as proposed by New Fluor does not comply with applicable Tax Laws.


(a) General Rule. Except as otherwise provided in this Section 4.04, Consolidated or Combined Tax Returns shall be prepared in accordance with past Tax accounting practices used and past Tax elections made with respect to such Tax Returns (unless such past practices or elections are no longer permissible under the Code or other applicable Tax Law) and, to the extent any items are not covered by past practices or elections or, in the event such past practices or elections are no longer permissible under the Code or other applicable Tax Law), in accordance with reasonable Tax accounting practices and elections selected by (i) New Fluor, to the extent such election applies solely to members of the New Fluor Group, (ii) Parent, to the extent such election applies solely to members of the Parent Group, or (iii) in the case of any election not described in the foregoing clause (i) or clause (ii), the agreement of Parent and New Fluor (or pursuant to Section 15 if no such agreement is reached). Without limitation on the foregoing, the parties agree that, for purposes of the consolidated Federal Income Tax Return to be filed by Parent for the Tax Period ending October 31, 2001 (A) Parent shall, at the request of New Fluor, make any election that does not adversely affect to a material degree any member of the Parent Group (as determined by Parent), and (B) Parent shall be entitled to make any other election that does not adversely affect to a material degree any member of the New Fluor Group (as determined by New Fluor).

(b) Reporting Transaction Tax Items. The Tax treatment reported on Tax Returns of Tax Items relating to the Transactions shall be consistent with the treatment of such items in the Ruling, unless such treatment is not permissible under the Code. To the extent there is a Tax Item relating to the Transactions which is not covered by the Ruling, the Companies shall agree on the Tax treatment of any such Tax Item reported on any Tax Return. For this purpose, the Tax treatment of such Tax Item on a Tax Return shall be determined by the Responsible Company with respect to such Tax Return and shall be agreed to by the other Company unless either (i) there is no reasonable basis for such Tax treatment, or (ii) such Tax treatment is inconsistent with the Tax treatment contemplated in the Ruling Request or the Ruling. Such Tax Return shall be submitted for review pursuant to Section 4.06(a), and any dispute regarding such proper Tax treatment shall be referred for resolution pursuant to Section 15 sufficiently in advance of the filing date of such Tax Return (including extensions) to permit the timely filing of the Tax Return.

4.05 Consolidated or Combined Tax Returns. Neither Company shall elect or join, and shall cause their respective Affiliates not to elect or join, in filing consolidated, unitary, combined, or other similar joint Tax Returns with any member of the other Group, except to the extent that the filing of such Tax Returns is consistent with past reporting practices or, in the absence of applicable past practices, is required by Tax Law; provided, however, that the Companies shall (to the extent permitted by Law) elect or join, or cause their respective Affiliates to elect or join, in filing consolidated, combined or unitary Tax Returns in Virginia, West Virginia, and Kentucky if and to the extent necessary to permit members of the Massey Group who previously have filed consolidated, combined or unitary returns in such states to continue to do so.

4.06 Right to Review Tax Returns.

(a) General. In the case of any Tax Return which relates to any extent to (i) Taxes for which the Other Company may be liable in whole or in
disagreement with respect to any such items prior to the filing of such Tax Return. If the parties are not able to reach an agreement with respect to any such item prior to the filing of such Tax Return, such dispute shall be subject to the provisions of Section 15, provided, however, that the Responsible Company shall be entitled to file such Tax Return reflecting such item as reasonably determined by the Responsible Company, provided further, however, such determination must be consistent with the provisions of this Agreement, and if, following the filing of such Tax Return, the Accounting Firm shall determine that the item in dispute was not reflected in such Tax Return in a manner consistent with applicable Tax Law and the provisions of this Agreement, the Responsible Company shall be obligated, unless agreed otherwise by the Other Company in writing, to file an amended Tax Return reflecting the items as determined by the Accounting Firm.

4.07 Section 732(f) Elections. The parties agree and acknowledge that as of October 31, 2000, all of the stock of A.T. Massey was distributed by Fluor Management Company, a Delaware general partnership ("FMC"), to Allegheny Coal Corporation, a Delaware corporation ("Allegheny") and St. Joe Carbon Fuels Corporation, a Delaware corporation ("SJCF"), each of which was a member of the New Fluor Group and a partner of FMC at the time of such distribution of the A.T. Massey stock. The parties further agree that New Fluor and Parent shall make and take, and each of them shall cause their respective Affiliates to make and take, such elections and actions as may be reasonably necessary to cause the provisions of Code Section 732(f) (and any corresponding provision of State Tax Law) to be inapplicable with respect to or as a result of such distribution of the A.T. Massey stock. Without limitation on the foregoing, the parties agree as follows:

(a) On the consolidated Federal Income Tax Return of Parent for the Tax year ending October 31, 2000, Parent and, to the extent required by applicable Tax Law, Allegheny and SJCF or their successors in interest, shall make an election to have the transitional rule of Section 538(b)(2) of Public Law 106-170 apply to FMC's distribution of the A.T. Massey stock (such election, a "Section 732(f) Election"); and

(b) Parent and, to the extent required by applicable Tax Law, Allegheny and SJCF or their successors in interest, also shall make a Section 732(f) Election on the consolidated Federal Income Tax Return filed by Parent for the Tax year ending October 31, 2001.

4.08 Section 382 Items. At the request of New Fluor, Parent shall make (or, to the extent applicable, join with members of the New Fluor Group in making) an election, under Treasury Regulation Section 1.1502-95(c)(1) and any comparable State Tax Law, to apportion to New Fluor, or to such subsidiary or subsidiaries of New Fluor as New Fluor may direct, the
consolidated section 382 limitation (or subgroup section 382 limitation) and net unrealized built-in gain (or subgroup net unrealized built-in gain) as of the Distribution Date for the consolidated Federal Income Tax Return group which has Parent as its common parent, but only to the extent any such limitation and built-in gain resulted from an "ownership change" (within the meaning of Code Section 382) of one or more members of the New Fluor Group (including any predecessor of such a member). New Fluor shall furnish, or cause to be furnished, to Parent such information as is required by Parent for purposes of making this election.

Section 5. Tax Liability Payments and Tax Benefit Payments.

5.01 Payment of Taxes With Respect to Consolidated or Combined Tax Returns Filed After the Distribution Date. In the case of any Consolidated or Combined Tax Returns for which the due date (including extensions) is after the Distribution Date:

(a) Computation and Payment of Tax Due. Subject to the provisions of Section 4.06, at least three business days prior to any Payment Date pertaining to such a Tax Return the Responsible Company shall compute the amount of Tax required to be paid on such Payment Date to the applicable Tax Authority with respect to such Tax Return (whether for estimated Tax, a request for an extension of the time to file or the original Tax Return for the Tax Period) and shall notify the Other Company of its allocable share of such Tax as determined in accordance with the provisions of this Agreement, including, without limitation, the provisions of Sections 4.04 and 4.05. On or before such Payment Date, the Responsible Company shall pay such Tax to the applicable Tax Authority (whether or not it has theretofore received, pursuant to Section 5.01(b), payment from the Other Company of its allocable share of such Tax payment).

(b) Payments With Respect to Allocations of Tax Liabilities. Within five business days following the applicable Payment Date, the Other Company shall pay to the Responsible Company the excess (if any) of (i) the portion of the Tax liability determined as of such Payment Date with respect to the applicable Tax Period that is allocable to the Other Company as determined by the Responsible Company in accordance with the provisions of this Agreement (the "Allocated Tax Liability"), over (ii) the cumulative net payment with respect to such Tax Period made prior to such Payment Date by the Other Company (the "Cumulative Tax Payment"). The Other Company also shall pay to the Responsible Company, together with the Tax liability payment required hereunder, interest thereon at the Base Rate calculated from the Payment Date to the date of the Other Company's payment hereunder to the Responsible Company. If the Other Company's Cumulative Tax Payment is in excess of the Other Company's Allocated Tax Liability for such Tax Period as of such Payment Date (such excess, the "Other Company Overpayment"), then within 20 business days following each date (herein the "Overpayment Tax Benefit Date") as of which the Responsible Company receives any Tax refund and/or is credited with or otherwise receives any Tax reduction which is attributable to all or any portion of the Other Company Overpayment, the Responsible Company shall pay to the Other Company the amount of such Tax refund, credit or reduction that is attributable to the Other Company Overpayment. If the Responsible Company does not make the foregoing payment within 3 business days following the Overpayment Tax Benefit Date, then the Responsible Company also shall pay to the Other Company, together with the foregoing payment required hereunder, interest thereon calculated at the Base Rate from the Overpayment Tax Benefit Date to the date of the Responsible Company's payment hereunder to the Other Company.

5.02 Payments Resulting From Audit Adjustments. In the event that, as a result of an audit or examination by any Tax Authority, there are Audit
Adjustments of one or more Tax Items on a Consolidated or Combined Tax Return, whether or not such Audit Adjustments result in an additional Consolidated or Combined Tax liability being imposed, assessed or agreed to with respect to the Tax Period covered by such Tax Return (a "Tax Underpayment Liability"), the parties agree that the allocation of each party's share of the liability for such Consolidated or Combined Tax liability as so adjusted, including any Tax Underpayment Liability and the Consolidated or Combined Tax liability as previously (and most recently) adjusted and allocated (collectively, the "Adjusted Consolidated or Combined Tax Liability"), shall be redetermined and reallocated in accordance with the With/Without Allocation Method of Section 2.01 or Section 2.02 and subject to the provisions of Section 2.04 and Section 3 (whichever of such Sections may be applicable and to the extent thereof) and giving effect to such Audit Adjustments. The Company which is the Responsible Company with respect to such Tax Return (i) shall, if there is a Tax Underpayment Liability, pay such Tax Underpayment Liability to the applicable Tax Authority on or before the applicable payment date therefor, and (ii) shall compute and determine the allocation or reallocation of the Adjusted Consolidated or Combined Tax Liability as hereinabove provided. As soon as practicable after the earliest of (1) such payment date, and (2) any other date on which a Tax Underpayment Liability is paid, the Responsible Company shall give written notice (a "Tax Liability Reallocation Notice") to the Other Company specifying (v) each Company's allocable share of the Adjusted Consolidated or Combined Tax Liability, including all relevant calculations and data required to reasonably inform the Other Company of the manner in which the Tax liability has been reallocated, (w) the amount, if any (a "Reallocation Deficit"), which is payable by New Fluor to Parent, or Parent to New Fluor, in accordance with the provisions of Section 2.01(b) or Section 2.02(b) and/or subject to the provisions of Section 2.04 and Section 3 (whichever of such Sections may be applicable and to the extent thereof), and (x) if applicable, evidence of payment by the Responsible Company of any Tax Underpayment Liability. Within 20 business days following the date of such Tax Liability Reallocation Notice, New Fluor shall pay to Parent, or Parent shall pay to New Fluor (whichever may be applicable), the full amount of the Reallocation Deficit. The Company required to make such payment (the "First Company") shall, together with its payment of the Reallocation Deficit amount, pay to the other Company (the "Second Company") (y) to the extent the Reallocation Deficit involves a shifting or reallocation of Tax liabilities from that as previously (and most recently) allocated, interest on such portion of the Reallocation Deficit calculated at the Base Rate from the due date (determined without regard to extensions) for the Tax Return to which the Audit Adjustments apply to the date of payment of the payment required hereunder, and (z) to the extent the Reallocation Deficit involves a Tax Underpayment Liability paid by the Second Company, interest on such portion of the Reallocation Deficit calculated at the Base Rate from the date of such payment of the Tax Underpayment Liability to the date of payment of the payment required hereunder. By way of illustration (and not limitation) of the foregoing provisions, if: (1) on the original Consolidated or Combined Tax Return there was a Consolidated or Combined Tax Liability of $50,000,000 consisting of a $30,000,000 Federal Without Amount allocated to Parent and a balance of $20,000,000 allocated to New Fluor; (2) in connection with a Tax audit, the New Fluor Group has increased income items and/or decreased deduction items of $1,000,000; and (3) as a result of giving effect to all of such increases and decreases, the Federal With Amount remains at $50,000,000, the Federal Without Amount is reduced to $29,650,000 and the balance of $20,350,000 is allocated to the New Fluor Group, then New Fluor shall be obligated to pay a Reallocation Deficit to Parent in the amount of $350,000, plus interest at the Base Rate on $350,000 from the due date (determined without regard to extensions) of the Tax Return to which the Audit Adjustments apply to the date of payment of the Reallocation Deficit hereunder.

5.03 Payment of Separate Company Taxes. On or before the required payment date therefore, each Company shall pay, or shall cause to be paid, to the applicable Tax Authority all Separate Company Taxes which are allocable to and
payable by such Company or a member of such Company's Group in accordance with
the provisions of this Agreement, including any Separate Company Taxes which are
assessed or imposed by a Tax Authority as a result of any audit or examination
of a Separate Company Tax Return.

5.04 Carrybacks, Carryovers and Audit Adjustment Benefits.

(a) Carrybacks. If any member of the New Fluor Group incurs a
Carryback item which may be carried back to (i) a Tax Period ending on or
before, or which includes, the Distribution Date with respect to which a
Separate Company Tax Return was filed by or on behalf of the New Fluor Group or
any member thereof, or (ii) a Tax Period with respect to which a Consolidated or
Combined Tax Return was filed, the New Fluor Group (or such member thereof)
shall be entitled, to the extent permitted or required by Law, to carry back
such Carryback item to the Tax Period covered by such Tax Return. Such member's
right hereunder shall include, but not be limited to, the filing of a refund
claim pursuant to Code Section 6411, the filing of amended Tax Returns, and the
filing of refund claims based on the applicable Carryback item, in each case to
the extent such a filing is permissible (any such filing, a "Carryback
Adjustment Request"). In the event that any such filing of a Carryback
Adjustment Request or other action with respect to the Carryback item must be
filed or taken by Parent to be effective, Parent shall effect such filing or
take such action as reasonably requested by New Fluor, and Parent shall
otherwise cooperate with the New Fluor Group in seeking from the appropriate Tax
Authority any Tax refund or other Tax Benefit that may reasonably be
attributable to the Carryback item. Tax refunds or other Tax Benefits resulting
from Carrybacks with respect to Separate Company Returns, and Tax refunds, Tax
Benefits and reallocations of Consolidated or Combined Tax liabilities resulting
from Carrybacks to Consolidated or Combined Tax Returns, shall be paid, credited
and/or allocated in accordance with, and otherwise shall be subject to, the
provisions of Section 5.04(d). The New Fluor Group (or applicable members
thereof) may, at its sole discretion, choose not to carry back any one or more
Carryback items as to which it is entitled hereunder to file a Carryback
Adjustment Request. Parent and the members of the Parent Group shall have
identical rights, and New Fluor shall have identical obligations, with respect
to Carryback items incurred by Parent or any other member of the Parent Group
which may be carried back to (i) a Tax Period ending on or before, or which
includes, the Distribution Date with respect to which a Separate Company Tax
Return was filed by or on behalf of the Parent Group or any member thereof, or
(ii) a Tax Period covered by a Consolidated or Combined Tax Return.

(b) Carryovers. The New Fluor Group and its members shall be entitled to
the benefit, following the Distribution, of any Carryover item incurred by any
such member in (i) any Tax Period ending on or before, or which includes, the
Distribution Date with respect to which a Separate Company Tax Return was filed
by or on behalf of the New Fluor Group or any member thereof, and (ii) any Tax
Period covered by a Consolidated or Combined Return. Any such member which
incurred any such Carryover item shall be entitled, to the extent permitted or
required by Law, to obtain the benefit of such Carryover item by filing, if
necessary, amended returns or refund claims based on the applicable Carryover
item with the appropriate Tax Authority (any such filing, a "Carryover
Adjustment Request"). Any Carryover item of Parent for any Tax Period including
the Distribution Date will be treated as incurred by a member of the New Fluor
Group only to the extent such Carryover item is apportioned hereunder to the
portion of such Tax Period through the Distribution Date. In the event that any
such filing of such a Carryover Adjustment Request or other action must be filed
or taken by Parent to be effective, Parent shall effect such filing or take such
action as is reasonably requested by New Fluor, and Parent shall otherwise
cooperate with the New Fluor Group in seeking from the appropriate Tax Authority
any Tax refund or other Tax Benefits that may reasonably be attributable to the
Carryover item. Tax refunds or other Tax Benefits resulting from Carryovers to
Separate Company Returns, and Tax refunds, Tax Benefits and reallocations of
Consolidated or Combined Tax liabilities resulting from Carryovers to
Consolidated or Combined Tax Returns, shall be paid, credited and/or allocated
in accordance with, and shall be otherwise subject to, the provisions of Section
5.04(d). Parent and the members of the Parent Group shall have identical rights, and New Fluor shall have identical obligations, with respect to Carryover items incurred by Parent or any other member of the Parent Group in (i) any Tax Period ending on or before, or which includes, the Distribution Date with respect to which a Separate Company Tax Return was filed by or on behalf of the Parent Group or any member thereof, or (ii) any Tax Period covered by a Consolidated or Combined Tax Return. The parties agree that the Tax Benefits attributable to any Carryover items which Parent has as of the Distribution Date with respect to any Tax Periods (or portions thereof) through the Distribution Date shall be allocable to New Fluor, and the provisions of this Section 5.04(b) shall apply to such Carryover items as if incurred by members of the New Fluor Group.

(c) Other Audit Adjustment Requests. In the case of Tax Items other than Carrybacks and Carryovers, in the event that any member of the New Fluor Group determines that it is entitled to a Tax refund or other Tax Benefit pertaining to (i) a Tax Period ending on or before, or which includes, the Distribution Date with respect to which a Separate Company Tax Return was filed by or on behalf of the New Fluor Group or any member thereof, or (ii) a Tax Period with respect to which a Consolidated or Combined Tax Return was filed, whether such determination results from an audit or examination of any such Tax Return by any Tax Authority or from a determination by the applicable New Fluor Group member that one or more Tax Items were not properly reported and treated on any such Tax Return, then the New Fluor Group or the applicable member thereof shall be entitled, to the extent permitted or required by Law, to obtain the benefit of such Tax refund or other Tax Benefit by filing amended returns or refund claims based on the applicable adjusted Tax Items with the appropriate Tax Authority (any such filing, an "Audit Adjustment Request"). It is intended that the provisions of this Section 5.04(c) shall apply (but not be limited) to an Audit Adjustment Request that results from and corresponds to an adjustment made by a Tax Authority in connection with any such Tax Return. By way of illustration, and without limitation, if, as a result of an examination of New Fluor Group's consolidated Federal Income Tax Return for its 1997 taxable year, the Internal Revenue Service requires the New Fluor Group to capitalize an item that had been deducted on such return, the New Fluor Group shall be entitled hereunder to require the Parent to file an Audit Adjustment Request for the 1998 taxable year (and later years, if applicable) to obtain a Tax refund or other Tax Benefit attributable to depreciation or amortization deductions in such years related to such items capitalized in 1997. In the event that any such filing of an Audit Adjustment Request or other action must be filed or taken by Parent to be effective, Parent shall effect such filing or take such action as is reasonably requested by New Fluor, and Parent shall otherwise cooperate with the New Fluor Group in seeking from the appropriate Tax Authority any such Tax refund or other Tax Benefit. Tax refunds or other Tax Benefits resulting from such Audit Adjustment Requests with respect to Separate Company Returns, and Tax refunds, Tax Benefits and reallocations of Consolidated or Combined Tax liabilities resulting from such Audit Adjustment Requests with respect to Consolidated or Combined Tax Returns, shall be paid, credited and/or allocated in accordance with, and shall be otherwise subject to, the provisions of Section 5.04(d).

(d) Audit Adjustment Reallocations and Payments.

(i) General.

(A) The parties agree that any Tax refund or other Tax Benefit resulting from or attributable to an Audit Adjustment of a Separate Company Tax Return of the New Fluor Group shall be payable or otherwise allocable to New Fluor or other applicable members of the New Fluor Group, and any Tax refund or
other Tax Benefit resulting from or attributable to an Audit Adjustment of a Separate Company Tax Return of the Parent Group shall be payable or otherwise allocable to Parent or other applicable member of the Parent Group, provided, however, such Tax refund or Tax Benefit shall be allocated to New Fluor to the extent it relates to a Separate Company Tax of the Parent with respect to a Tax Period ending on or before the Distribution Date (or any portion thereof treated as ending on the Distribution Date pursuant to Section 2.02(a) or Section 2.03) for which New Fluor is liable pursuant to the provisions of Section 2. In the case of any Audit Adjustments with respect to a Consolidated or Combined Tax Return resulting from a Carryback Adjustment Request, Carryforward Adjustment Request or Audit Adjustment Request, the following provisions shall apply: (A) the Responsible Company shall recompute and reallocate the Consolidated or Combined Tax liability, as adjusted, and issue a Tax Liability Reallocation Notice, in accordance with the principles and provisions of Section 5.02; (B) any Reallocation Deficit, together with interest thereon, shall be paid by New Fluor or Parent, as the case may be, in accordance with the provisions of Section 5.02; (C) in applying the With/Without Allocation Method, the Tax Benefits attributable to any Audit Adjustment shall be those which result from the application of the Audit Adjustment to a Tax Return as previously (and most recently) adjusted, if applicable; for example, if one Company (the "First Company") incurs a Carryback to a Consolidated or Combined Tax Return that absorbs the full Tax Benefit available on such Tax Return with respect to that type of Carryback, and in a subsequent Tax Period the second Company (the "Second Company") incurs a similar Carryback which would have generated a Tax Benefit on such Consolidated or Combined Tax Return had the First Company's Carryback not occurred, such Second Company's Carryback shall not be deemed to result in any Tax Benefit on such Consolidated or Combined Tax Return that is not realized under applicable Law, and there shall be no reallocation or apportionment required (by reason of such unrealized Tax Benefit) with respect to the Tax Benefit derived by the First Company from its prior Carryback adjustment; and (D) if, as a result of such Audit Adjustments, a member of one Group (the "First Group Member") receives a Tax refund or Tax reduction which, under the foregoing principles, is payable or allocable to a member of the other Group (the "Second Group Member"), the First Group Member shall pay the amount thereof to the Second Group Member in accordance with the following provisions of this Section 5.04(d).

(B) For purposes of applying the provisions of the foregoing Section 5.04(d)(i)(A) and other provisions of this Agreement involving Audit Adjustments, the parties' priority of entitlement to Audit Adjustments shall be determined, to the extent applicable, in accordance with statutory priorities, including priorities based on the Tax Periods in which the relevant Tax Items arise.

(ii) Tax Refunds. If a member of the Parent Group receives from a Tax Authority a Tax refund payment, including but not limited to a payment of interest with respect to a Tax refund or other Tax adjustment (any such refund or interest payment, a "Tax Adjustment Payment"), and a member of the New Fluor Group is entitled to such Tax Adjustment Payment pursuant to the provisions of Section 5.04(d)(i) and other applicable provisions of this Agreement, Parent shall pay, or cause to be paid, to New Fluor the amount of such Tax Adjustment Payment within 20 business days following receipt of the Tax Adjustment Payment by Parent or other member of the Parent Group (the "TAP Receipt Date"). If Parent does not pay such amount within 3 business days following such TAP Receipt Date, then Parent also shall pay to New Fluor, together with its payment to New Fluor of such Tax Adjustment Payment, interest on the amount of such Tax Adjustment Payment calculated at the Base Rate from the TAP Receipt Date to the date of Parent's payment hereunder to New Fluor. New Fluor shall have an identical obligation to pay to Parent any Tax Adjustment Payment, together with interest thereon, to which any member of the Parent Company is entitled pursuant to the provisions of Section 5.04(d)(i) and other applicable provisions of this Agreement.

(iii) Tax Reductions. If, in lieu of a Tax Adjustment Payment that,
if paid, would be payable to New Fluor pursuant to Section 5.04(d)(ii), a member of the Parent Group receives a reduction of Taxes otherwise payable by such member, including but not limited to a reduction of an interest obligation or other credit against interest obligations otherwise payable by such member (any such reduction or credit, a "Tax Adjustment Credit"), Parent shall pay to New Fluor, within 20 business days following the date on which the applicable Tax Authority gives effect to such Tax Adjustment Credit (the "TAC Adjustment Date"), the full amount of such Tax Adjustment Credit. If Parent does not pay such amount within 3 business days following the TAC Adjustment Date, then Parent also shall pay to New Fluor, together with its payment to New Fluor of the amount of such Tax Adjustment Credit, interest on the amount of such Tax Adjustment Credit calculated at the Base Rate from the TAC Adjustment Date to the date of Parent's payment hereunder to New Fluor. New Fluor shall have an identical obligation to pay to Parent the amount of any Tax Adjustment Credit, together with interest thereon, which any member of the New Fluor Group receives in lieu of a Tax Adjustment Payment that, if paid to a member of the New Fluor Group, would be payable by New Fluor to Parent pursuant to Section 5.04(d)(ii).

(iv) Future Tax Benefits. If any member of the Parent Group receives or is credited with any Tax Item that will or may result in a Tax Benefit to such Parent Group member in future Tax Periods and which is allocable to a member of the New Fluor Group pursuant to the provisions of Section 5.04(d)(i) and other applicable provisions of this Agreement, Parent shall pay to New Fluor, within 20 business days following the due date (excluding extensions) of the Tax Return (the "TR Due Date") for any Tax Period in which the Parent Group (or any member thereof) realizes any portion of such Tax Benefit, the amount of such Tax Benefit realized in such Tax Period. If Parent does not pay such amount within 3 business days following such TR Due Date, then Parent also shall pay to New Fluor, together with its payment to New Fluor of such Tax Benefit amount, interest thereon calculated at the Base Rate from such TR Due Date to the date of Parent's payment to New Fluor of the payment required hereunder. New Fluor shall have an identical obligation to pay to Parent the amount of any future Tax Benefits realized by a member of the New Fluor Group which are allocable to members of the Parent Group pursuant to the provisions of Section 5.04(d)(i) and other applicable provisions of this Agreement.

(v) Certain Transferred Obligation Tax Benefits. The parties agree as follows:

(A) In connection with the Transactions and pursuant to the provisions of the Distribution Agreement and/or its related agreements among the parties, certain fixed or contingent obligations of Parent and Massey relating to periods prior to the Distribution Date, including, without limitation, compensation and benefit related obligations to or with respect to Pre-Distribution Parent Employees or Pre-Distribution Massey Employees (as those terms are defined in Section 5.04(vi)(D)), other than obligations related to Substituted Equity Incentives as provided for under Section 5.04(d)(vi), are being paid by (or reimbursed to Parent by), or assigned to and assumed by, New Fluor and/or other members of the New Fluor Group (collectively, the "Transferred Obligations"). Without limitation on the foregoing, it is intended that the provisions of this Section 5.04(v)(A) shall apply to (1) New Fluor's payment or other satisfaction (or reimbursement to Parent for its payment or other satisfaction) of deferred compensation obligations to Pre-Distribution Employees, as defined in Section 5.04(vi)(D), and (2) New Fluor's payment or other satisfaction (or reimbursement to Parent or A.T. Massey for its payment or other satisfaction) of amounts payable to Don L. Blankenship pursuant to the amendment to his employment agreement entered into in connection with the Distribution. Any Tax deduction or other Tax Benefit resulting from or attributable to the payment, reimbursement or other satisfaction of all or any portion of any such Transferred Obligation shall be allocable to the New Fluor Group member which pays, reimburses or otherwise satisfies such Transferred Obligation. Unless required otherwise by applicable Tax Law or the actions of a Tax Authority, the parties agree that the New Fluor Group shall be entitled to
claim such Tax Benefit on the appropriate New Fluor Group Tax Return filed after
the Distribution Date, and, except as provided under Section 5.04(d)(v)(B) below, the Parent Group shall not claim any such Tax Benefit on any Tax Return
of the Parent Group.

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(B) If, pursuant to applicable Tax Law or the actions of a Tax
Authority, a member of the Parent Group is required to, or if New Fluor and
Parent mutually agree that Parent shall, claim a deduction or other Tax Benefit
attributable to the payment or other satisfaction by a New Fluor Group member of
a Transferred Obligation, Parent shall pay to New Fluor the excess of (i) the
amount of any Tax refund or Tax reduction which the Parent Group obtains as a
result of, or which is otherwise attributable to, claiming such deduction or
other Tax Benefit on its Tax Returns, over (ii) the amount of any Tax incurred
by the Parent Group as a result of, or which is otherwise attributable to, the
assumption, payment, reimbursement or other satisfaction of the Transferred
Obligation by New Fluor and/or other members of the New Fluor Group (any such
excess amount, the "Transferred Obligation Tax Benefit Amount"). Such
Transferred Obligation Tax Benefit Amount shall be paid by Parent to New Fluor
within 20 business days following the date (herein the "Transferred Obligation
Tax Benefit Date") as of which the Parent Group receives any such Tax refund
and/or is credited with or otherwise receives the benefit of any such Tax
reduction (which Date, in the case of a Parent Tax Return on which Parent
originally claims a deduction or other Tax Benefit attributable to the payment
or other satisfaction of a Transferred Obligation, shall be the due date
determined without regard to extensions) for the filing of such Return). If
Parent does not make such payment within 3 business days following the
Transferred Obligation Tax Benefit Date, then Parent also shall pay to New
Fluor, together with such payment to New Fluor, interest on such Transferred
Obligation Tax Benefit Amount calculated at the Base Rate from the Transferred
Obligation Tax Benefit Date to the date of the payment hereunder. If, pursuant
to an Audit Adjustment, a Tax Authority disallows a Tax Benefit claimed by the
New Fluor Group on its Tax Returns with respect to the payment or other
satisfaction of such a Transferred Obligation, New Fluor shall be entitled to
require Parent to seek to obtain the Tax Benefits attributable thereto pursuant
to the provisions of Section 5.04(c), in which case Parent shall be obligated to
pay to New Fluor the amount of any Tax Benefits obtained, together with
interest, in accordance with the provisions of this Section 5.04(d)(v)(B) and
the foregoing provisions of this Section 5.04(d).

(C) In connection with its payment or other satisfaction of all
or any portion of a Transferred Obligation, New Fluor shall pay, make, withhold
and/or deposit all employment and payroll Taxes and Tax withholdings as required
under applicable Tax Laws. If, pursuant to applicable Tax Law or the actions of
a Tax Authority, a member of the Parent Group is required to, or if New Fluor
and Parent mutually agree that Parent shall, claim a deduction or other Tax
Benefit attributable to the payment or other satisfaction of all or any portion
of a Transferred Obligation, or if a member of the Parent Group is otherwise
required to pay employment or payroll Taxes with respect to the payment or other
satisfaction of all or any portion of a Transferred Obligation, then New Fluor
shall reimburse Parent for the full amount of such employment and payroll Taxes
paid by Parent, with such reimbursement to be made within three business days
following New Fluor's receipt of demand therefor from Parent.

(vi) Certain Equity Incentive Tax Benefits. The parties agree as
follows:

(A) In connection with the Transactions and pursuant to the
provisions of the Distribution Agreement and/or its related agreements among the
parties, certain Pre-Distribution Equity Incentives (as defined herein) will be
cancelled and in lieu thereof New

Fluor will, effective as of the Distribution, issue or grant New Fluor
Substituted Equity Incentives (as defined herein) to the parties holding such cancelled Pre-Distribution Equity Incentives immediately prior to the Distribution. Any Tax deduction or other Tax Benefit resulting from or attributable to the vesting, exercise, purchase, cancellation, payment or other disposition or satisfaction of all or any portion of a New Fluor Substituted Equity Incentive, including, without limitation, a payment of cash in lieu of issuing a New Fluor Substituted Equity Incentive (any such action or event, a "Satisfying" or "Satisfaction") shall be allocable to the New Fluor Group member which Satisfies such New Fluor Substituted Equity Incentive. Without limitation on the foregoing, the parties agree that if New Fluor pays cash to, or pays cash into a fund or account for the benefit of, a Pre-Distribution Massey Employee (as defined below) in consideration for the sale or cancellation of, or in lieu of the issuance of, a New Fluor Substituted Equity Incentive issued or otherwise issuable (as applicable) to such Employee (whether or not the vesting thereof is accelerated as a result of the Distribution), such payment by New Fluor shall be deemed a Satisfaction to which the provisions of this section 5.04(d)(vi) apply. Also in connection with the Transactions, New Fluor will be making payments to, or into an account on behalf of, Pre-Distribution Massey Employees (including reimbursements to Parent or A.T. Massey for such payments) in cancellation or other Satisfaction of Parent Substituted Equity Incentives (as defined herein), and the parties agree that any Tax deduction or other Tax Benefit resulting from or attributable to the purchase or other Satisfaction of any such Parent Substituted Equity Incentive shall be allocated to the New Fluor Group member which Satisfies such Parent Substituted Equity Incentive. Without limitation on the foregoing, it is intended that the foregoing provisions of this Section 5.04(vi)(A) shall apply to New Fluor's payment or other satisfaction (or reimbursement to Parent or A.T. Massey for its payment or other satisfaction) of (1) amounts payable to Pre-Distribution Employees in cancellation of, or with respect to, options to acquire Parent stock, and (2) amounts payable to Don L. Blankenship in cancellation of, or with respect to, Pre-Distribution Equity Incentives pursuant to the amendment to his employment agreement entered into in connection with the Distribution. Unless required otherwise by applicable Tax Law or the actions of a Tax Authority, the parties agree that the New Fluor Group shall be entitled to claim such deduction or other Tax Benefit on the appropriate New Fluor Group Tax Return filed after the Distribution Date, and, except as provided under Section 5.04(d)(vi)(B) below, the Parent Group shall not claim any such deduction or other Tax Benefit on any Tax Return of the Parent Group.

(B) If, pursuant to applicable Tax Law or the actions of a Tax Authority, a member of the Parent Group is required to, or if New Fluor and Parent mutually agree that Parent shall, claim a deduction or other Tax Benefit attributable to the Satisfaction by a New Fluor Group member of a New Fluor Substituted Equity Incentive, Parent shall pay to New Fluor the excess of (i) the amount of any Tax refund or Tax reduction which the Parent Group obtains as a result of, or which is otherwise attributable to, claiming such deduction or other Tax Benefit on its Tax Returns, over (ii) the amount of any Tax incurred by the Parent Group as a result of, or which is otherwise attributable to, the assumption, payment, reimbursement or other Satisfaction of the New Fluor Substituted Equity Incentive by New Fluor and/or other members of the New Fluor Group (any such excess amount, the "Substituted Incentive Tax Benefit Amount"). Such Substituted Incentive Tax Benefit Amount shall be paid by Parent to New Fluor within 20 business days following the date (herein the "Substituted Incentive Tax Benefit Date") as of which the Parent Group receives any such Tax refund and/or is credited with or otherwise receives the benefit of any such Tax reduction (which Date, in the
payment hereunder. If, pursuant to an Audit Adjustment, a Tax Authority
disallows a Tax Benefit claimed by the New Fluor Group on its Tax Returns with
respect to the Satisfaction of such a New Fluor Substituted Equity Incentive,
New Fluor shall be entitled to require Parent to seek to obtain the Tax Benefits
attributable thereto pursuant to the provisions of Section 5.04(c), in which
case Parent shall be obligated to pay to New Fluor the amount or value of any
Tax Benefits obtained, together with interest, in accordance with the provisions
of this Section 5.04(d)(vi)(B) and the foregoing provisions of this Section
5.04(d). The parties agree that if, pursuant to the foregoing provisions, Parent
claims a Tax Benefit on behalf of New Fluor with respect to an unvested New
Fluor Substituted Equity Incentive (or if Parent claimed a Tax Benefit with
respect to a Pre-Distribution Equity Incentive) and such Tax Benefit is
disallowed and recaptured to any extent by reason of a failure to satisfy
(including but not limited to termination of employment by the holder of such
Incentive prior to satisfaction) all or any portion of the applicable vesting
requirement, the recaptured Tax Benefit shall be a Disallowed Tax Benefit
subject to the provisions of Section 5.04(f)(i)(B).

(C) In connection with its Satisfaction of any New Fluor
Substituted Equity Incentive, New Fluor shall pay, make, withhold and/or deposit
all employment and payroll Taxes and Tax withholdings as required under
applicable Tax Laws. If, pursuant to applicable Tax Law or the actions of a Tax
Authority, a member of the Parent Group is required to, or if New Fluor and
Parent mutually agree that Parent shall, claim a deduction or other Tax Benefit
attributable to the Satisfaction of a New Fluor Substituted Equity Incentive, or
if a member of the Parent Group is otherwise required to pay employment or
payroll Taxes with respect to a Satisfaction of a New Fluor Substituted Equity
Incentive, then New Fluor shall reimburse Parent for the full amount of such
employment and payroll Taxes paid by Parent, with such reimbursement to be made
within three business days following New Fluor's receipt of demand therefor from
Parent.

(D) For purposes of Section 5.04(d)(v) and this Section
5.04(d)(vi), the following definitions shall apply:

(1) The term "Equity Incentive" shall mean any restricted
stock (or related unit), stock appreciation right, stock option, shadow stock or
other equity-based compensation which is issued, granted or otherwise
transferred by a corporation to its (or its Affiliate's) employees, directors or
consultants.

(2) The term "New Fluor Substituted Equity Incentive" shall
mean an Equity Incentive which was issued or granted by New Fluor in exchange or
substitution for a Pre-Distribution Equity Incentive.

(3) The term "Parent Substituted Equity Incentive" shall
mean an Equity Incentive which was issued or granted by Parent in exchange or
substitution for a Pre-Distribution Equity Incentive.

(4) The term "Pre-Distribution Parent Employee" shall mean any Pre-
Distribution Parent Employee and any Pre-Distribution Massey Employee.

(5) The term "Pre-Distribution Equity Incentive" shall mean
an Equity Incentive which was issued or granted by Parent and which is
outstanding immediately prior to the Distribution.

(6) The term "Pre-Distribution Massey Employee" shall mean
an individual who was employed by one or more members of the Massey Group prior
to the Distribution, including former employees who retired or otherwise
terminated employment prior to the Distribution.

(7) The term "Pre-Distribution Parent Employee" shall mean
an individual who was employed by Parent prior to the Distribution, including
former employees who retired or otherwise terminated employment prior to the
Distribution.
(vii) Other Tax Benefits. If any member of one group (the "First Group Member") receives any Tax Benefit not described in the foregoing clauses (i), (ii), (iii), (iv), (v) and (vi) but which is payable or allocable to a member of the other Group (the "Second Group Member") in accordance with the principles underlying the Tax liability and Tax Benefit allocation provisions of Section 2 and the foregoing provisions of this Section 5, such First Group Member shall pay the amount of such Tax Benefit to the Second Group Member within 20 business days following the date on which the First Group Member receives such Tax Benefit through a refund of or reduction in Tax (the "Other Tax Benefit Date"). If the First Group Member does not make such payment within 3 business days following the Other Tax Benefit Date, such First Group Member shall also pay to the Second Group Member, together with such payment, interest thereon calculated at the Base Rate from such Other Tax Benefit Date to the date of the First Group Member's payment hereunder to the Second Group Member.

(e) Offset For Federal Income Tax Burdens. Notwithstanding the provisions of Section 5.04 specifying the amount of payment to be made by one Group (the "First Group") to a member of the other Group (the "Second Group") by reason of the receipt or accrual by the First Group of a Tax refund, Tax reduction or other Tax Benefit that under this Agreement is allocable to the Second Group (any such refund, reduction or other benefit, the "Reallocable Tax Benefit"), if (i) the First Group is required, for Federal Income Tax purposes, to recognize income with respect to its receipt or accrual of all or any portion of such Reallocable Tax Benefit (any such portion, the "Taxable Portion"), and (ii) such Taxable Portion exceeds the amount of the Federal Income Tax deduction to which the First Group is entitled by reason of its payment of (or accrual of the obligation to pay) the Reallocable Tax Benefit to the Second Group (such excess, the "Taxable Excess"), then (iii) the amount of the Reallocable Tax Benefit shall be reduced by the First Group's Federal Income Tax liability attributable to such Taxable Excess.

(f) Additional Audit Adjustment Rules. Notwithstanding the foregoing provisions of this Section 5.04, the parties agree as follows:

(i) If a member of one Group (the "First Group Member") is required, pursuant to the provisions of subsection (a), (b), (c), (d)(v)(B) or (d)(vi)(B) of this Section 5.04, to file amended returns or refund claims or to take other actions to obtain a Tax refund or other Tax Benefit on behalf of a member of the other Group (the "Second Group Member"), the reasonable costs and expenses incurred by such First Group Member in connection with such filing or other action shall be paid by the Second Group Member, and to the extent such costs and expenses have not been paid at the time of any payment pursuant to Section 5.04(d), the amount of such costs and expenses may be offset against such payment.

(ii) If, pursuant to the actions of any Tax Authority, all or any portion of the Tax Benefit obtained by a member of one Group (the "First Group Member") on behalf of a member of the other Group (the "Second Group Member") is disallowed or otherwise reversed (such portion, the "Disallowed Tax Benefit"), then (1) if the relevant Tax Benefit payment has not yet been paid by the First Group Member to the Second Group Member, such Tax Benefit payment shall be reduced by the amount of the Federal Income Tax liability incurred by the First Group Member as a result of the disallowance or other reversal of the Disallowed Tax Benefit (such liability, the "Disallowed Tax Benefit Tax Liability"), or (2) if such Tax Benefit payment has been paid, the Second Group Member shall pay to the First Group Member an amount equal to the Disallowed Tax Benefit Tax Liability plus interest at the Base Rate on the amount of such Disallowed Tax Benefit Tax Liability from the date of the payment of the Tax Benefit by the First Group Member to the Second Group Member to the date of
payment hereunder of said Disallowed Tax Benefit Tax Liability to the First Group Member.

(iii) If a member of the Parent Group or a member of the New Fluor Group, as the case may be, receives a Carryback Adjustment Request, Carryforward Adjustment Request or an Audit Adjustment Request from a member of the other Group, the party receiving such request may, in lieu of filing or otherwise processing the amended return or refund claim or taking any other action so requested, pay to the requesting party the amount of the Tax refund, interest payment or other Tax Benefit which the requesting party wishes to obtain pursuant to the applicable Adjustment Request.

(iv) Notwithstanding the foregoing provisions of this Section 5.04, neither Company shall be obligated to take any action with respect to any Carryback Adjustment Request, Carryforward Adjustment Request or Audit Adjustment Request if the amount of Tax Benefit to be obtained through such Request does not exceed $10,000 (any such Request, a "Nonmandatory Request"), provided, however, at such time as the aggregate amount of all such Nonmandatory Requests made by a Group and which are not barred by an applicable statute of limitations exceeds $50,000, then all such Nonmandatory Requests must be acted on without regard to the $10,000 threshold provided for hereunder, provided, however, no action shall be required with respect to subsequent Nonmandatory Requests until such time as such subsequent Nonmandatory Requests not barred by the statute of limitations exceed $50,000 (with the foregoing provisions to apply to ongoing series of Nonmandatory Requests).

5.05 Treatment of Payments; Tax Gross-Up; Certain Tax Offsets.

(a) General. The parties agree that, except as otherwise contemplated under Section 5.05(b) or as otherwise required pursuant to a change in applicable Tax Laws or an action of a Tax Authority following the Distribution Date, any payment by a member of one Group to a member of the other Group pursuant to Section 5.01, Section 5.02 or Section 5.04 shall be treated for Income Tax purposes by the payor and the recipient as a non-taxable capital contribution or non-taxable distribution, as appropriate, occurring prior to the Distribution, but only to the extent such payment does not relate to a Tax allocated to the payor in accordance with Treasury Regulation 1.1502-33(d) or under comparable principles of other applicable Tax Laws.

(b) Interest Payments. The parties agree as follows:

(i) To the extent that any payment pursuant to Section 5.04 by a member of one Group to a member of the other Group is attributable to interest received by or credited to the payor from a Tax Authority, then to the extent permitted by Law the parties shall either (A) treat the payor as receiving such interest portion as agent for the recipient, in which case the recipient shall treat such interest portion as interest income to the recipient (includable in income to the extent provided by Law), or (B) both payor and recipient shall treat such interest portion of the payment as an expense paid by the payor (deductible to the extent provided by Law) and income to the recipient (includable in income to the extent provided by Law).

(ii) To the extent that any payment pursuant to Section 5.04 by a member of one Group to a member of the other Group is attributable to interest paid by the recipient to a Tax Authority, then to the extent permitted by Law the parties shall either (A) treat the recipient as paying such interest portion to the Tax Authority as agent for the payor, in which case the recipient shall not treat such interest portion as interest income to or interest expense of the recipient and the payor shall treat such interest portion as interest expense of the payor (deductible to the extent provided by Law), or (B) both payor and recipient shall treat such interest portion of the payment as an expense paid by the payor (deductible to the extent provided by Law) and income to the recipient (includable in income to the extent provided by Law).
(iii) To the extent that any payment pursuant to Section 5.01 or Section 5.02 or Section 5.04 constitutes (A) a payment of interest by the payor under Section 5.01 or Section 5.02 with respect to the period from the date the recipient paid a Tax liability allocable to the payor until the date of the payment under Section 5.01 or Section 5.02, or (B) a payment of interest by the payor under Section 5.04 with respect to the period from the date the payor received a Tax Benefit allocable to the recipient until the date of the payment under Section 5.04, both payor and recipient shall treat such interest portion of the payment as interest expense paid by the payor (deductible to the extent provided by Law) and interest income to the recipient (includible in income to the extent provided by Law).

(c) Gross-Up. If, notwithstanding the tax treatment contemplated under Section 5.05(a) with respect to payments made by a member of one Group (the "First Group Member") to a member of the other Group (the "Second Group Member"), the Second Group Member is required to treat as taxable income any portion of the payment from the First Group Member other than any interest portion thereof as described in Section 5.05(b) (such taxable portion, the "Taxable Intercompany Payment"), then the First Group Member shall be obligated to pay to the Second Group Member an additional payment in an amount such that (x) the sum of such additional payment plus the Taxable Intercompany Payment, less (y) the amount of Income Taxes payable by the recipient with respect to the accrual or receipt of such additional payment and the Taxable Intercompany Payment, equals the amount of the Taxable Intercompany Payment.

(d) Offset For Certain Federal Tax Benefits. Notwithstanding the provisions of Section 5.01 through 5.04 specifying the amount of payments (inclusive of interest, penalties and additions) from one Group to the other Group related to State Income Taxes, Foreign Income Taxes or other Taxes other than Federal Income Taxes (any such payment, an "Intergroup Non-Federal Tax Payment"), if (i) the Group receiving such Intergroup Non-Federal Tax Payment (the "Recipient Group") is entitled to claim a Tax deduction or Tax credit for Federal Income Tax purposes with respect to its payment or accrual of all or any portion of the Tax to which such Intergroup Non-Federal Tax Payment pertains (any such portion of such Tax, the "Federal Tax Benefited Amount"), and (ii) all or any portion of such Federal Tax Benefited Amount is not deductible for Federal Income Tax purposes by the paying Group and is not includible in income of the Recipient Group for Federal Income Tax purposes (such portion not deductible and not includable, the "Nontaxable Portion"), then (iii) the amount of such Intergroup Non-Federal Tax Payment shall be reduced by the value of the Recipient Group's Federal Income Tax Benefit attributable to such Nontaxable Portion. By way of illustration of the foregoing, if New Fluor is otherwise obligated under this Agreement to make a payment of $1,000,000 to Parent related to a State Income Tax that is allocable under this Agreement to the New Fluor Group but as to which (x) Parent will be entitled to claim a Federal Income Tax deduction, and (y) in accordance with the principles of Section 5.05(a), such payment from New Fluor to Parent is neither deductible by New Fluor nor includible in income by Parent, then (y) the amount of the payment from New Fluor to Parent shall be reduced to $650,000 if Parent's applicable Federal Income Tax rate is 35%.

5.06 Method of Payment. All payments made by one Company (or its Affiliates) to the other Company (or its Affiliates) under this Agreement shall be made in immediately available funds.

5.07 Late Payments. Any amount payable by one party (the "first party") to another party (the "second party") under this Agreement which is not paid on or before expiration of the period within which such payment is required to be made pursuant to this Agreement shall bear interest from such expiration date until such payment is made at the Base Rate plus two percentage points, provided, however, such interest rate shall not exceed the rate permissible under applicable usury laws (if such laws are applicable). To the extent interest required to be paid under this Section 5.07 duplicates interest required to be paid under any other provision of this Agreement, interest shall be computed at
the higher of the interest rate provided under this Section 5.07 or the interest rate provided under such other provision.

Section 6. Intentionally Omitted.

Section 7. Assistance and Cooperation.

7.01 General. After the Distribution Date, each Company shall cooperate (and cause its respective Affiliates to cooperate) with the other Company and with the other Company's agents, including accounting firms and legal counsel, in connection with Tax matters relating to the other Company and its Affiliates, including, without limitation, (i) the preparation and filing of Tax Returns, (ii) determining the liability for and amount of any Taxes due (including estimated Taxes) or the right to and amount of any refund of Taxes, (iii) examinations of Tax Returns, (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed, and (v) establishing the tax basis of any asset held by either Company or its Affiliates at any time prior to the Distribution. Such cooperation shall include but not be limited to (1) making all information and documents in their possession relating to the other Company and its Affiliates available to such other Company as provided in Section 8.02 and (2) promptly notifying and forwarding to the appropriate Company any notice or other correspondence from any Tax Authority that is received by one Company but intended for the other Company. Each Company shall also make available to the other Company, as reasonably requested and available, personnel (including officers, directors, employees and agents of the Company or its Affiliates) responsible for preparing, maintaining, and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with items (i) through (iv) in the first sentence of this Section 7.01. Any information or documents provided under this Section 7 shall be kept confidential by the Company receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes.

7.02 Income Tax Return Information. Each of the Companies will provide information and documents relating to its Group to the other Company as required for Tax Return preparation purposes. New Fluor and Parent shall cause the members of their respective Groups to provide Tax Return information to the Responsible Company in a form suitable for filing (except for consolidating and other adjustments which would normally be made by the Responsible Company) at least seventy-five days prior to the due date (including extensions) of the particular Tax Return.

7.03 Shareholder Information Letter. New Fluor shall prepare a letter (subject to Parent's review and comments), to be sent to all persons who are holders of record of Parent stock immediately prior to the Distribution, advising such shareholders (i) of the principal Federal Income Tax consequences to such shareholders resulting from the Distribution as determined pursuant to the Ruling, (ii) the method by which such shareholders can allocate the tax basis in their pre-Distribution stock among the shares of Parent stock and New Fluor stock that such shareholders hold following the Distribution, and (iii) such other matters related to the Distribution as New Fluor deems appropriate. New Fluor shall pay (or reimburse Parent for) the costs of printing and mailing such letter to such shareholders.

Section 8. Tax Records.

8.01 Retention of Tax Records. The Companies shall preserve and keep all Tax Records and supporting information and documentation relating to their respective Groups for Tax Periods ending before, on or including the Distribution Date for so long as the contents thereof may become material in the administration of any matter under the Code or other applicable Tax Law, but in
any event until the later of (i) the expiration of any applicable statute of
limitation (including extensions thereof) or (ii) seven years after the
Distribution Date. If, prior to the expiration of the applicable statute of
limitation (including extensions thereof) and such seven-year period, a Company
reasonably determines that any Tax Records which it is required to preserve and
keep under this Section 8 are no longer material in the administration of any
matter under the Code or other applicable Tax Law, such Company may dispose of
such records upon 90 days prior notice to the other Company. Such notice shall
include a list of the records to be disposed and shall describe in reasonable
detail each file, book, or other record accumulation which is to be disposed.
The notified Company shall have the opportunity, at its cost and expense, to
copy or remove, within such 90-day period, all or any part of such Tax Records.

8.02 Access to Tax Records. The Companies and their respective Affiliates
shall make available to each other for inspection and copying, during normal
business hours and upon reasonable notice, all Tax Records in their possession
to the extent reasonably required by the other Company in connection with the
preparation of Tax Returns, refund claims, audits, litigation, or the resolution
of any matter under this Agreement. Without limitation on the foregoing, each
Company (the "First Company") shall provide the other Company (the "Second
Company") with reasonable access to Tax Returns (including the workpapers
related thereto) filed by the First Company or members of its Group following
the Distribution Date for the purpose of enabling the Second Company to
determine whether, when and to what extent a Tax Benefit allocable hereunder to
the Second Company results in a Tax refund or Tax reduction for the First
Company.

8.03 Copies of Consolidated or Combined Tax Returns. Within ten days after
filing any Consolidated or Combined Tax Return, the Responsible Company shall
provide a true and correct copy of such Tax Return to the Other Company.

Section 9. Tax Contests.

9.01 Notice Requirement. A party to this Agreement (the "First Party")
shall provide, within 15 business days after such First Party (or any member of
the First Party's Group) actually receives official written notification
thereof, notice to the other party (the "Second Party") of any pending or
threatened Tax audit, assessment or proceeding or other Tax Contest related to
Taxes which are, or may reasonably be expected to be, allocable to and payable
by such Second Party pursuant to the provisions of this Agreement. Such notice
shall contain factual information (to the extent known by the First Party)
describing any asserted Tax liability in reasonable detail and shall be
accompanied by copies of any notices or other documents received from any Tax
Authority in respect of any such matters. If the First Party fails to give the
Second Party such notice of such asserted Tax liability, then (i) if the Second
Party is precluded from contesting the asserted Tax liability in all otherwise
available forums as a result of the failure to give such
notice, the Second Party shall have no obligation to pay to the First Party any
Taxes arising out of such asserted Tax liability which are otherwise allocable
to the Second Party under this Agreement, unless the Tax Contest Committee (as
defined in Section 9.02(b)) determines that it is highly unlikely that
contesting the Tax liability would have materially reduced the amount of the Tax
liability allocable to the Second Party, and (ii) if the Second Party is not
precluded from contesting the asserted Tax liability in all otherwise available
forums, but such failure to give such notice results in a monetary detriment to
the Second Party, then any amount which the Second Party is otherwise required
to pay to the First Party pursuant to this Agreement shall be reduced by the
amount of such detriment, as established to the reasonable satisfaction of the
Tax Contest Committee.

9.02 Control of Tax Contests.

(a) Separate Company Taxes. In the case of any Tax Contest with respect to
any Separate Company Tax, the Company having liability for the Tax shall have
exclusive control over the Tax Contest, including exclusive authority with respect to any settlement of any matters involved in such Tax Contest.

(b) Consolidated or Combined Taxes. In the case of any Tax Contest with respect to any Consolidated or Combined Tax, (i) Parent shall control the defense or prosecution of the portion of the Tax Contest directly and exclusively related to any Parent Adjustment, including settlement of any such Parent Adjustment, (ii) New Fluor shall control the defense or prosecution of the portion of the Tax Contest directly and exclusively related to any New Fluor Adjustment, including settlement of any such New Fluor Adjustment, and (iii) a committee constituted as provided herein (the "Tax Contest Committee") shall control the defense or prosecution of Joint Adjustments and any and all administrative matters not directly and exclusively related to any Parent Adjustment or New Fluor Adjustment. The Tax Contest Committee shall be comprised of two persons, one person selected by Parent (as designated in writing to New Fluor) and one person selected by New Fluor (as designated in writing to Parent). Each person serving on the Tax Contest Committee shall continue to serve unless and until he or she is replaced by the party designating such person. Any and all matters to be decided by the Tax Contest Committee shall require the agreement of both persons serving on the Tax Contest Committee. In the event the Tax Contest Committee shall be deadlocked on any matter, the provisions of Section 15 of this Agreement shall apply.

(c) Cooperation with Controlling Party. In the event that one or more members of a Group (the "First Group Members") have the responsibility and authority, pursuant to applicable Tax Law, to file or amend Tax Returns and to take and/or do other actions related to a Tax Contest that, pursuant to this Section 9.02, is subject to the control of a member of the other Group (the "Second Group Member"), such First Group Members shall execute all such documents and take all such actions as may be reasonably requested by the Second Group Member for the purpose of implementing and effecting the Second Group Member's defense and prosecution of such Tax Contest.

(d) Powers of Attorney. Each member of the Parent Group shall execute and deliver to New Fluor and/or the members of the Tax Contest Committee, and each member of the New Fluor Group shall execute and deliver to Parent and/or to the members of the Tax Contest Committee, any power of attorney reasonably requested by any such party or person as necessary to allow it/them to control the defense or prosecution of a Tax Contest in accordance with the provisions of Section 9.02(a) or Section 9.02(b), provided, however, that such power of attorney shall not expand the rights of such controlling party or person beyond that provided for under Section 9.02(a) or Section 9.02(b).

(e) Agreements Affecting Other Company. Notwithstanding the foregoing provisions of this Section 9.02, a Company shall not agree to any Tax liability for which the other Company may be liable under this Agreement, or compromise any claim for any Tax Benefit to which another Company may be entitled under this Agreement, without such other Company's written consent (which consent may not be unreasonably withheld).

Section 10. Effective Date. This Agreement shall be effective on the Distribution Date.

Section 11. Certain Representations and Covenants.

(a) No Inconsistent Plan or Intent. Each of A.T. Massey and New Fluor hereby represents and warrants to the other that:

(i) neither it nor any member of its Group (which, in the case of New Fluor, includes Parent through the Distribution Date) has taken, and as of the Distribution Date neither it nor any member of its Group (which, in the case of New Fluor, includes Parent through the Distribution Date) has a plan or intention to take, any action that would result in any Tax liability being
imposed with respect to the Distribution pursuant to the application of the provisions of Code Section 355(e); and

(ii) neither it nor any member of its Group (which, in the case of New Fluor, includes Parent through the Distribution Date) has taken, nor as of the Distribution Date has any plan or intention to take, any other action which is inconsistent with any material factual statements or representations in the Ruling Request.

(b) Restriction on Prohibited Actions. Each of Parent and New Fluor hereby covenants and agrees that following the Distribution it will not take any action, and it will cause its Affiliates to refrain from taking any action, which would result in a Tax treatment of the Transactions that is inconsistent in any material respect with the Tax treatment of the Transactions as contemplated in the Ruling Request or, if different, in the Ruling (any such action, a "Prohibited Action"), unless such Prohibited Action is required by Law or the person taking the action has obtained the prior written consent of the other parties to this Agreement. Without limitation on the foregoing, the parties intend that the restrictions on Prohibited Actions provided for herein shall apply during and following the two-year restriction period described in Section 11(c).

(c) Restriction on Certain Other Actions. Each of New Fluor and Parent hereby covenants and agrees that prior to the second anniversary of the Distribution it will not take, and it will cause its Affiliates to refrain from taking, any action that would be inconsistent with any representations under Section 11(a) if such party had planned or intended (as of the Distribution Date) to take such action, provided, however, such an action may be taken during such two-year period if such action is required by Law or the person taking the action has obtained the prior written consent of the other parties to this Agreement.

(d) Restriction on Amending or Supplementing Ruling Request. Each of Parent and New Fluor hereby covenants and agrees that it will not file, and it will cause its Affiliates to refrain from filing, any amendment or supplement to the Ruling Request subsequent to the Distribution Date without the written consent of the other parties to this Agreement.

Section 12. Survival of Obligations. The representations, warranties, covenants and agreements set forth in this Agreement shall be unconditional and absolute and shall remain in effect without limitation as to time.

Section 13. Employee Matters. Each of the Companies agrees to utilize, or cause its Affiliates to utilize, the alternative procedure set forth in Revenue Procedure 96-60, 1996-2 C.B. 399 (if such Revenue Procedure is applicable), with respect to wage reporting for employees who transfer from a member of one Group to a member of the other Group in connection with the Transactions.

Section 14. Mutual Covenants and Indemnifications.

(a) New Fluor. New Fluor hereby covenants and agrees that it will (i) perform or cause to be performed all obligations of the members of the New Fluor Group under this Agreement, including, without limitation, the obligations of the members of the New Fluor Group to pay, when due, Tax liability payments to Tax Authorities and payments to members of the Parent Group in accordance with the provisions of Section 5, and (ii) indemnify and hold harmless Parent and all other members of the Parent Group from and against any Losses (as defined hereinbelow) incurred by any member of the Parent Group as a result of any breach of any covenant, representation or warranty of New Fluor under this Agreement or any failure by any member of the New Fluor Group to fully perform its obligations under this Agreement.

(b) Parent. Parent hereby covenants and agrees that it will (i) perform or cause to be performed all obligations of the members of the Parent Group under this Agreement, including, without limitation, the obligations of the members of the Parent Group to pay, when due, Tax liability payments to Tax Authorities and payments to New Fluor in accordance with the provisions of Section 5, and (ii) indemnify and hold harmless New Fluor and all other members of the New Fluor Group from and against any Losses (as defined hereinbelow) incurred by any member of the New Fluor Group as a result of any breach of any covenant, representation or warranty of Parent under this Agreement or any failure by any member of the Parent Group to fully perform its obligations under this Agreement.
Group under this Agreement, including, without limitation, the obligations of
the members of the Parent Group to pay, when due, Tax liability payments to Tax
Authorities and payments to members of the New Fluor Group in accordance with
the provisions of Section 5, and (ii) indemnify and hold harmless New Fluor and
all other members of the New Fluor Group from and against any Losses incurred by
any member of the New Fluor Group as a result of any breach of any covenant,
representation or warranty of Parent and/or A.T. Massey under this Agreement or
any failure by any member of the Parent Group to fully perform its obligations
under this Agreement.

(c) Losses. For purposes of this Section 14, the term "Losses" means
any and all damages, liabilities, claims, demands, proceedings, settlements,
judgments, awards, fees, charges, Taxes, costs or other expenses (including,
without limitation, reasonable costs of attempting to avoid or in opposing the
imposition thereof, interest, penalties, costs of preparation and investigation,
and the reasonable fees, disbursements and expenses of attorneys, accountants
and other professional advisors, but not including the cost of "in-house"
attorneys, accountants and other employees of a party.)

(d) Tax Adjustments.

(i) The amount of any indemnification payment otherwise payable
under this Agreement or under the Distribution Agreement shall be (i) decreased
by the amount of any Federal or State Income Tax Benefit actually realized by
the indemnified party as a result of the Loss giving rise to the
indemnification, and (ii) increased by (A) the amount of any Federal or State
Income Tax required to be paid by the indemnified party as a result of its
accrual or receipt of the indemnification payment, plus (B) the amount of any
Federal or State Income Tax required to be paid by the indemnified party as a
result of its accrual or receipt of any payments payable pursuant to this
Section 14(d)(i). For all purposes of this Section 14(d), (i) the amount of any
State Income Tax Benefit or cost shall be based on a rate, which is deemed to
take into account the Federal Income Tax effect of such benefit or cost, of 4%;
(ii) a Tax Benefit is a reduction in the amount of Income Tax paid or due and
payable, whether realized as a refund or as a credit or other reduction in Tax
liability; (iii) the amount of any Tax Benefit or cost for any taxable period
will be the difference between (A) the amount of the indemnified party's Tax
liability taking into account the amount of Loss or indemnity payment, as
appropriate, actually included in computing taxable income for the current or
any prior taxable period and (B) the amount that would be the indemnified
party's Tax liability for the current or any prior taxable period (as
applicable) if such amount of Loss or indemnity payment were not taken into
account in computing taxable income; (iv) if the indemnified party files or is
included in a consolidated, combined, unitary or similar Income Tax Return for a
taxable period, the preceding amounts will be computed on the appropriate
consolidated, combined, unitary or similar basis for that taxable period; and
(v) the term "Loss" shall have the meaning specified in this Agreement or the
Distribution Agreement depending on whether the indemnification payment arises
under this Agreement or the Distribution Agreement. In the year an
indemnification payment is made, the parties shall cooperate to determine the
amount of adjustment (if any) to be made pursuant to this Section 14(d)(i). In
doing so, the amount of any Federal Income Tax Benefit or cost for the taxable
period in which the payment is to be made will be based on the indemnified
party's best estimate of such amount, which estimate shall be in writing (an
"Adjustment Estimate Notice") and shall include an explanation, in reasonable
detail, of the facts and assumptions underlying such estimate. Any payment
required pursuant to this Section 14(d)(i) shall be made on or before the later
of (x) the date on which the applicable indemnification payment is made pursuant
to this Agreement or the Distribution Agreement (as applicable), or (y) 10
business days following the date on which the indemnified party receives the
Adjustment Estimate Notice.

(ii) Promptly after the indemnified party files its Federal
Income Tax Return for the taxable period as to which an Adjustment Estimate
Notice is given pursuant to Section 14(d)(i), the indemnified party shall notify the indemnifying party in writing of the actual amount of the Federal Income Tax Benefit or cost that was previously estimated and shall provide to the indemnifying party the computation, in reasonable detail, of such actual amount and such supporting documentation as the indemnifying party reasonably requests to verify the computation. The parties shall cooperate in good faith to determine the amount of any difference (the "True-Up Amount") between (i) the amount that was paid by the indemnifying party based on the prior estimate (the "Prior Payment") and (ii) the amount that would have been payable by the indemnifying party if the parties had known the actual amount of such benefit or cost. Within 3 business days following determination of the True-Up Amount, the indemnifying party shall pay to the indemnified party or the indemnified party shall pay to the indemnifying party, as appropriate, the True-Up Amount, plus interest on the True-Up Amount at the Base Rate from the date of the Prior Payment to the date the True-Up Amount is paid. In addition, if the True-Up Amount is payable by the indemnifying party, the indemnifying party also shall pay to the indemnified party the amount necessary to reimburse the indemnified party for any Federal or State Income Tax cost incurred as a result of its accrual or receipt of the True-Up Amount and any amounts payable pursuant to this sentence. For this purpose, the Federal Income Tax rate applicable to any taxable portion of the True-Up Amount and any amount payable pursuant to the preceding sentence shall be deemed to be the same as the marginal rate applicable to the indemnified party for the taxable period in which the Prior Payment was made.

(iii) No adjustment in the amount of an indemnification payment shall be made at the time of payment of such indemnification payment to take into account any Federal or State Income Tax Benefit not actually realized in, or any Federal or State Income Tax cost not actually paid or payable for, the taxable period in which the indemnification payment is made or an earlier period, whether or not any such benefit or cost may, under applicable Tax law, be taken into account and realized or incurred in a future Tax Period. However, if a Federal or State Income Tax Benefit or cost described in this Section 14(d) is actually realized in or becomes payable for one or more taxable periods (each, a "Subsequent Period") after the taxable period in which an indemnification payment has been made, then (i) the indemnified party shall pay to the indemnifying party an amount equal to the excess of such Tax Benefit over such Tax cost for such Subsequent Period, or (ii) the indemnifying party shall pay to the indemnified party an amount equal to the excess of such Tax cost over such Tax Benefit for such Subsequent Period, plus the amount of any Federal or State Income Tax required to be paid by the indemnified party as a result of its accrual or receipt of any amounts payable by the indemnifying party pursuant to this Section 14(d)(iii). For each Subsequent Period, the indemnified party shall notify the indemnifying party in writing of the amount of any such Tax Benefit or Tax cost no later than the date on which the indemnified party files its Federal Income Tax Return for the Subsequent Period, with such notice (a "Subsequent Period Adjustment Notice") to include an explanation, in reasonable detail, of the facts and assumptions underlying the indemnifying party's calculation of the payments required hereunder. The parties shall cooperate in good faith to determine the amount payable by or to the indemnified party under this paragraph with respect to any Subsequent Period. Any payment made more than 60 calendar days after (i) the date the indemnified party gives such Subsequent Period Adjustment Notice to the indemnifying party, in the case of a payment to the indemnified party, or (ii) the date the indemnified party files its Federal Income Tax Return for the Subsequent Period, in the case of a payment by the indemnified party, shall include interest at the Base Rate from the expiration of such 60-day period to the date of payment. A Subsequent Period includes, without limitation, any taxable period in which the indemnified party would have been able to use a loss or credit if such loss or credit had not been used (or was prevented from being generated) as a result of the inclusion of all or any portion of an indemnification payment in the indemnified party's income.

(iv) The purpose of this Section 14(d) is to make the indemnified party whole on an actual after-tax basis, and this Section is to be
amended Tax Returns, Tax audits and similar proceedings). The parties shall at all times cooperate with each other in good faith to determine the amounts of any payments required under this Section 14(d). The indemnifying party may at any time request copies of the Tax Returns (and underlying work papers) for any Tax Period which is relevant to the determination of adjustments to indemnification payments under this Section 14(d) or other payments made pursuant to this Section 14(d). If an indemnified party fails or refuses to give any notice or take any other action required hereunder with respect to the determination of any decrease to an indemnification payment or any payment required to be made hereunder by the indemnified party to the indemnifying party, such failure or refusal shall not adversely affect the indemnifying party's rights hereunder, and appropriate action may be brought by the indemnifying party to determine and/or enforce its rights hereunder.

(v) The parties agree and acknowledge that the provisions of Sections 5.04(e), 5.05(c) and 5.05(d), and not the provisions of this Section 14, shall apply with respect to Tax adjustments related to Tax liability payments and Tax Benefit payments made pursuant to Section 5, it being intended that the provisions of this Section 14 are to apply with respect to Losses incurred by a member of one Group as a result of a breach described in this Section 14 by a member of the other Group.

Section 15. Disputes; Governing Law; Consent to Jurisdiction; Attorneys' Fees.

(a) Referral to Accounting Firm. If the parties cannot agree on the application of this Agreement to any matter in dispute (a "Dispute"), then, subject to the rights of the parties to seek a judicial resolution or remedy, the Dispute shall be referred for resolution to Ernst & Young LLP or, if Ernst & Young LLP is not then engaged by each Company as its certified public accounting firm for purposes of auditing its financial statements, such other "Big Five" accounting firm as the Tax Contest Committee shall select by lot (the "Accounting Firm"). The Accounting Firm shall furnish written notice (the "Accounting Firm Notice") to the parties of its resolution of any such Dispute as soon as practical, but in any event no later than 45 days after its acceptance of the matter for resolution, with such notice to set forth in writing the grounds and reasoning underlying the Accounting Firm's decision. Each party shall pay its own fees and expenses (including the fees and expenses of its representatives) incurred in connection with the referral of the matter to the Accounting Firm. All fees and expenses of the Accounting Firm in connection with such referral shall be shared equally by the New Fluor Group and the Parent Group. Notwithstanding any decision of the Accounting Firm, each party shall retain its rights to seek a judicial resolution of (and/or any available judicial remedies with respect to) any Dispute or any other matter under this Agreement, it being understood that any party may seek such judicial resolution or remedies at any time, whether before or after submission of a Dispute to the Accounting Firm. If any such judicial action with respect to a Dispute is commenced prior to the submission of the matter for resolution by the Accounting Firm, or if submitted, prior to the Accounting Firm rendering its decision, the Dispute shall not be submitted to the Accounting Firm or the Accounting Firm shall cease activity on the Dispute without rendering a decision (whichever may be applicable). All offers, promises, conduct and statements, whether oral or written, made in the course of any submission of the Dispute to the Accounting Firm by either party or the Accounting Firm or their respective agents, members, managers, directors, officers, employees, experts or attorneys, will be confidential, privileged and inadmissible for any purpose, including impeachment, in any judicial proceedings related to the Dispute, provided,
(b) Governing Law. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the Laws of the State of New York without reference to choice of Law principles.

(c) Consent to Jurisdiction. Each of the parties hereto hereby irrevocably submits to the nonexclusive jurisdiction of any United States Federal or New York State court sitting in New York County in any action or proceeding arising out of or relating to this Agreement, and irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in any such United States Federal or New York State court. Each of the parties hereto agrees to commence any action, suit or proceeding relating hereto either in the United States District Court for the Southern District of New York or, if for jurisdictional reasons such suit, action or other proceeding may not be brought in such court, in the Supreme Court of the State of New York, New York County. Each of the parties hereto further agrees that service of any process, summons, notice or document by United States registered mail to such party's respective address set forth in Section 18.01 shall be effective service of process for any action, suit or proceeding in the State of New York with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (i) the Supreme Court of the State of New York, New York County or (ii) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(iv) Attorneys' Fees. In the event any party to this Agreement brings an action or proceeding for the breach or enforcement of this Agreement, the prevailing party in such action or proceeding, whether or not such action or proceeding proceeds to final judgment, shall be entitled to recover as an element of its costs, and not as damages, such reasonable attorneys' fees as may be awarded in the action, proceeding or appeal in addition to whatever other relief the prevailing party may be entitled. For purposes of this Section, the "prevailing party" shall be the party who is entitled to recover its costs; a party not entitled to recover its costs shall not recover attorneys' fees. As used herein the term "attorneys' fees" shall not include the cost of "in-house" attorneys of any party.

Section 16. Intentionally Omitted.

Section 17. Expenses. Except as otherwise provided herein, each party and its Affiliates shall bear their own expenses incurred in connection with preparation of Tax Returns, Tax Contests, and other matters related to Taxes under the provisions of this Agreement, provided, however, that (i) Parent shall bear all expenses reasonably incurred by New Fluor or its Affiliates with respect to the portion of any Tax Contest that is directly and exclusively related to any Parent Adjustment and (ii) New Fluor shall bear all expenses reasonably incurred by Parent or its Affiliates with respect to the portion of any Tax Contest that is directly and exclusively related to any New Fluor Adjustment. For purposes of this Agreement, expenses shall include out-of-pocket expenses, but shall not include employee and other "in-house" resource costs.

Section 18. General Provisions.

18.01 Addresses and Notices. Any notice, demand, request or report (collectively, a "Notice") required or permitted to be given or made to any party under this Agreement to another party shall be in writing and shall be deemed given or made (i) on the date of delivery, if delivered in person to a
party at such party's address as specified hereunder by Federal Express, United Parcel Service or other nationally recognized courier service; or (ii) two days following the date on which the Notice is sent, if sent by first class mail return receipt requested, postage prepaid and properly addressed to the party's address as specified hereunder; or (iii) upon receipt of confirmation of transmission if transmitted by facsimile to the facsimile number specified hereunder, in each case to the relevant party's address and to the attention of the General Counsel and the Chief Financial Officer (one copy to each) as follows:

If to Parent or Massey Energy Company
A.T. Massey: 4 North 4th/ Street
Richmond, VA 23219
Att'n: General Counsel
Facsimile: (804) 788-1804
Att'n: Chief Financial Officer
Facsimile (804) 788-1853

If to New Fluor: Fluor Corporation
One Enterprise Drive
Aliso Viejo, CA 92656-2606
Att'n: General Counsel
Facsimile: (949) 349-5454
Att'n: Chief Financial Officer
Facsimile: (949) 349-5525

A party may change the address and/or facsimile number for receiving Notices under this Agreement by providing written notice of the change of address to the other party.

18.02 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign all or any part of its rights or interests under this Agreement or delegate all or any part of its duties under this Agreement without the express prior written consent of the other party. Nothing contained in this Agreement, express or implied, is intended to confer upon any person or entity, other than the parties hereto, their Affiliates and their successors and assigns, any rights or remedies under or by reason of this Agreement.

18.03 Waiver. No failure by any party to insist upon the strict performance of any obligation under this Agreement or to exercise any right or remedy under this Agreement shall constitute a waiver of any such obligation, right, or remedy or of any other obligations, rights, or remedies under this Agreement.

18.04 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not be affected thereby.

18.05 Further Action. The parties shall execute and deliver all documents, provide all information, and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

18.06 Integration. This Agreement constitutes the entire agreement among the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements and understandings pertaining thereto. In the event of any inconsistency between this Agreement and the Distribution Agreement or any other
agreements relating to the transactions contemplated by the Distribution Agreement, the provisions of this Agreement shall control.

18.07 Construction. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning and shall not be strictly construed for or against any party.

18.08 No Double Recovery; Subrogation. No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages, or other amounts for which the damaged party has been fully compensated under any other provision of this Agreement or under any other agreement or action at Law or equity. A party shall not be required to exhaust all remedies available under other agreements or at Law or equity before recovering under the remedies provided in this Agreement. Subject to any limitations provided in this Agreement, a party making a payment hereunder to or for the benefit of another party shall be subrogated to all rights of the other party for recovery from any third party.

18.09 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument.

18.10 Amendments. This Agreement may be amended, modified or supplemented only by a written agreement signed by the parties hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers as of the date set forth above.

FLUOR CORPORATION
a Delaware corporation incorporated in 1978
(to be named "Massey Energy Company" following the Distribution)

By: /s/ L. N. Fisher

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Name: L. N. Fisher
Title: Senior Vice President-Law and Secretary

FLUOR CORPORATION
a Delaware corporation incorporated in 2000

By: /s/ S. F. Hull

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Name: S. F. Hull
Title: Vice President and Treasurer

A.T. MASSEY COAL COMPANY, INC.

By: /s/ Jeffrey M. Jarosinski

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Name: Jeffrey M. Jarosinski
Title: Vice President and Chief Financial Officer
SECTION 1. Purpose of Plan

The purpose of this "Fluor Corporation 2000 Executive Performance Incentive Plan" ("Plan") of Fluor Corporation, a Delaware corporation, is to enable the Company, as defined in Section 2.2(a)(ii) hereof, to attract, retain and motivate its officers, management and other key personnel, and to further align the interests of such persons with those of the shareholders of the Company, by providing for or increasing their proprietary interest in the Company. The Plan also permits Shares to be issuable upon exercise, vesting or satisfaction of stock-based awards that were assumed by the Company in connection with the distribution of the Company's common stock (the "Distribution") to the stockholders of Massey Energy Company, which prior to the distribution was known as Fluor Corporation ("Old Fluor").

SECTION 2. Administration of the Plan

2.1 Composition of Committee. The Plan shall be administered by the Organization and Compensation Committee of the Board of Directors, and/or by the Board of Directors or another committee of the Board of Directors of the Company, as appointed from time to time by the Board of Directors (any such administrative body, the "Committee"). The Board of Directors shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. Notwithstanding the foregoing, with respect to any Award that is not intended to satisfy the conditions of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended (the "Code"), the Committee may appoint one or more separate committees (any such committee, a "Subcommittee") composed of one or more directors of the Company (who may but need not be members of the Committee) and may delegate to any such Subcommittee(s) the authority to grant Awards, as defined in Section 5.1 hereof, under the Plan to Employees, to determine all terms of such Awards, and/or to administer the Plan or any aspect of it. Any action by any such Subcommittee within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee. The Committee may designate the Secretary of the Company or other Company employees to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute agreements evidencing Awards made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company.

2.2 Powers of the Committee. Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable in connection with the administration of this Plan with respect to the Awards over which such Committee has authority, including, without limitation, the following:

(a) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein; provided that, unless the Committee shall specify otherwise, for purposes of this Plan (i) the term "fair market value" shall mean, as of any date, the average of the highest price and the lowest price per share at which the Shares (as defined in Section 3.1 hereof) are sold in the regular way on the New York Stock Exchange or, if no Shares traded on the New York Stock Exchange on the date in question, then for the next preceding date for which Shares traded on the New York Stock Exchange; and (ii) the term "Company" shall mean Fluor Corporation and its subsidiaries and affiliates, unless the context otherwise requires.
(b) to determine which persons are Eligible Employees (as defined in Section 4 hereof), to which of such Eligible Employees, if any, Awards shall be granted hereunder, to make Awards under the Plan and to determine the terms of such Awards and the timing of any such Awards;

(c) to determine the number of Shares subject to Awards and the exercise or purchase price of such Shares;

(d) to establish and verify the extent of satisfaction of any performance goals applicable to Awards;

(e) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical);

(f) to determine whether, and the extent to which, adjustments are required pursuant to Section 11 hereof;

(g) to interpret and construe this Plan, any rules and regulations under the Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company; and

(h) to make all other determinations deemed necessary or advisable for the administration of the Plan.

2.3 Determinations of the Committee. All decisions, determinations and interpretations by the Committee or the Board regarding the Plan shall be final and binding on all Eligible Employees and Participants, as defined in Section 4 hereof. The Committee or the Board, as applicable, shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer of the Company or Eligible Employee and such attorneys, consultants and accountants as it may select.

SECTION 3. Stock Subject to Plan

3.1 Aggregate Limits. Subject to adjustment as provided in Section 11, at any time, the aggregate number of shares of the Company's common stock, $0.01 par value ("Shares"), issued pursuant to all Awards (including all ISOs (as defined in Section 5.1 hereof)) granted under this Plan shall not exceed 12,000,000; provided that no more than 4,500,000 of such Shares may be issued pursuant to all Restricted Stock Awards, Incentive Awards, and Stock Units (other than Stock Units issued upon exercise of Options and any such awards issued as Assumed Awards) granted under the Plan. The Shares subject to the Plan may be either Shares reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

3.2 Code Section 162(m) Limits. The aggregate number of Shares subject to Options granted under this Plan during any calendar year to any one Eligible Employee shall not exceed 750,000. The aggregate number of Shares issued or issuable under any Restricted Stock Awards, Incentive Awards or Stock Unit Awards (other than Stock Units issued or issuable upon exercise of Options) granted under this Plan during any calendar year to any one Eligible Employee shall not exceed 150,000. Notwithstanding anything to the contrary in the Plan, the foregoing limitations (i) shall not apply to Assumed Awards, (ii) shall not include the number of shares subject to Assumed Awards, and (iii) shall be subject to adjustment under Section 11 only to the extent that such adjustment will not affect the status of any Award intended to qualify as "performance based compensation" under Code Section 162(m).

3.3 Issuance of Shares. For purposes of Section 3.1, the aggregate number of Shares issued under this Plan at any time shall equal only the number of Shares
actually issued upon exercise or settlement of an Award and not returned to the Company upon cancellation, expiration or forfeiture of an Award or delivered (either actually or by attestation) in payment or satisfaction of the purchase price, exercise price or tax obligation of an Award.

SECTION 4. Persons Eligible Under Plan

Any person who is an (i) employee and who also is an officer, key employee or member of the Executive Management Team ("EMT"), (ii) prospective employee who is to be an officer, key employee or member of the EMT, (iii) consultant, or (iv) advisor of the Company (an "Eligible Employee") shall be eligible to be considered for the grant of Awards hereunder. For purposes of this Plan, the Chairman of the Board's status as an Employee shall be determined by the Board. For purposes of the administration of Awards, the term "Eligible Employee" shall also include a former Eligible Employee or any person (including any estate) who is a beneficiary of a former Eligible Employee. A "Participant" is any Eligible Employee to whom an Award has been made and any person (including any estate) to whom an Award has been assigned or transferred pursuant to Section 10.1.

SECTION 5. Plan Awards

5.1 Award Types. The Committee, on behalf of the Company, is authorized under this Plan to enter into certain types of arrangements with Eligible Employees and to confer certain benefits on them. The following such arrangements or benefits are authorized under the Plan if their terms and conditions are not inconsistent with the provisions of the Plan: Stock Options, Restricted Stock, Incentive Awards, Stock Units and Assumed Awards. Such arrangements and benefits are sometimes referred to herein as "Awards." The authorized types of arrangements and benefits for which Awards may be granted are defined as follows:

Stock Option Awards: A Stock Option is a right granted under Section 6 to purchase a number of Shares at such exercise price, at such times, and on such other terms and conditions as are specified in or determined pursuant to the document(s) evidencing the Award (the "Option Agreement"). Options intended to qualify as Incentive Stock Options ("ISOs") pursuant to Code Section 422 and Options which are not intended to qualify as ISOs ("Non-qualified Options") may be granted under Section 6 as the Committee in its sole discretion shall determine.

Restricted Stock Awards: Restricted Stock is an award of Shares made under Section 7, the grant, issuance, retention and/or vesting of which is subject to such performance and other conditions as are expressed in the document(s) evidencing the Award (the "Restricted Stock Agreement").

Incentive Awards: An Incentive Award is a bonus opportunity awarded under Section 8 pursuant to which a Participant may become entitled to receive an amount (which may be payable in cash, Shares or other property) based on satisfaction of such performance criteria as are specified in the document(s) evidencing the Award (the "Incentive Bonus Agreement").

Stock Unit Awards: A Stock Unit Award is an award of a right to receive the fair market value of one share of Common Stock made under Section 9, the grant, issuance, retention and/or vesting of which is subject to such performance and other conditions as are expressed in the document(s) evidencing the Award (the "Stock Unit Agreement").

Assumed Awards: An Assumed Award is a stock option, stock appreciation right, restricted stock grant, restricted stock unit or other equity-based arrangement that was granted by Old Fluor and assumed by the Company in connection with the Distribution, as adjusted or amended pursuant to the
5.2 Grants of Awards. An Award may consist of one such arrangement or benefit or two or more of them in tandem or in the alternative.

SECTION 6. Stock Option Awards

The Committee may grant an Option or provide for the grant of an Option, either from time-to-time in the discretion of the Committee or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Award, within the control of others or not within any person’s control.

6.1 Option Agreement. Each Option Agreement shall contain provisions regarding

(a) the number of Shares which may be issued upon exercise of the Option, (b) the purchase price of the Shares and the means of payment for the Shares, (c) the term of the Option, (d) such terms and conditions of exercisability as may be determined from time to time by the Committee, (e) restrictions on the transfer of the Option and forfeiture provisions, and (f) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee. Option Agreements evidencing ISOs shall contain such terms and conditions as may be necessary to comply with the applicable provisions of Section 422 of the Code.

6.2 Option Price. The purchase price per Share of the Shares subject to each Option granted under the Plan shall equal or exceed 100% of the fair market value of such Stock on the date the Option is granted, except that (i) the Committee may specifically provide that the exercise price of an Option may be higher or lower in the case of an Option granted to employees of a company acquired by the Company in assumption and substitution of options held by such employees at the time such company is acquired, and (ii) in the event an Eligible Employee is required to pay or forego the receipt of any cash amount in consideration of receipt of an Option, the exercise price plus such cash amount shall equal or exceed 100% of the fair market value of such Stock on the date the Option is granted.

6.3 Option Term. The "Term" of each Option granted under the Plan, including any ISOs, shall not exceed ten (10) years from the date of its grant.

6.4 Option Vesting. Options granted under the Plan shall be exercisable at such time and in such installments during the period prior to the expiration of the Option's Term as determined by the Committee in its sole discretion. The Committee shall have the right to make the timing of the ability to exercise any Option granted under the Plan subject to such performance requirements as deemed appropriate by the Committee. At any time after the grant of an Option the Committee may, in its sole discretion, reduce or eliminate any restrictions surrounding any Participant's right to exercise all or part of the Option, except that no Option shall first become exercisable within one (1) year from its date of grant, other than upon death, disability, a Change of Control (as defined in Section 12.2 hereof) or upon satisfaction of such performance requirements as deemed appropriate by the Committee.

6.5 Option Exercise.
(a) Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional Shares and the Committee may require, by the terms of the Option Agreement, a partial exercise to include a minimum number of Shares.

(b) Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery to the representative of the Company designated for such purpose by the Committee all of the following: (i) notice of exercise in such form as the Committee authorizes specifying the number of Shares to be purchased by the Participant, (ii) payment or provision for payment of the exercise price for such number of Shares, (iii) such representations and documents as the Committee, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal, state or foreign securities laws or regulations, (iv) in the event that the Option shall be exercised pursuant to Section 10.1 by any person or persons other than the Eligible Employee, appropriate proof of the right of such person or persons to exercise the Option, and (v) such representations and documents as the Committee, in its sole discretion, deems necessary or advisable to provide for the tax withholding pursuant to Section 13. Unless provided otherwise by the Committee, no Participant shall have any right as a shareholder with respect to any Shares purchased pursuant to any Option until the registration of Shares in the name of such person, and no adjustment shall be made for dividends.

(c) Payment of Exercise Price. To the extent authorized by the Committee, the exercise price of an Option may be paid in the form of one of more of the following, either through the terms of the Option Agreement or at the time of exercise of an Option: (i) cash or certified or cashiers' check, (ii) shares of capital stock of the Company that have been held by the Participant for such period of time as the Committee may specify, (iii) other property deemed acceptable by the Committee, (iv) a reduction in the number of Shares or other property otherwise issuable pursuant to such Option, (v) a promissory note of or other commitment to pay by the Participant or of a third party, the terms and conditions of which shall be determined by the Committee, or (vi) any combination of (i) through (v).

SECTION 7. Restricted Stock Awards

Restricted Stock consists of an award of Shares, the grant, issuance, retention and/or vesting of which shall be subject to such performance conditions and to such further terms and conditions as the Committee deems appropriate.

7.1 Restricted Stock Award. Each Restricted Stock Award shall reflect, to the extent applicable (a) the number of Shares subject to such Award or a formula for determining such, (b) the time or times at which Shares shall be granted or issued and/or become retainable or vested, and the conditions or restrictions on such Shares, (c) the performance criteria and level of achievement versus these criteria which shall determine the number of Shares granted, issued, retainable and/or vested, (d) the period as to which performance shall be measured for determining achievement of performance, (e) forfeiture provisions, and (f) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee.

7.2 Restrictions and Performance Criteria. The grant, issuance, retention and/or vesting of each Restricted Stock Award may be subject to such performance criteria and level of achievement versus these criteria as the Committee shall
determine, which criteria may be based on financial performance, personal performance evaluations and/or completion of service by the Participant; provided, however, that no Restricted Stock Award shall first vest within one year from its date of grant, other than upon death, disability, a Change of Control (as defined in Section 12.2 hereof) or upon satisfaction of such performance requirements as deemed appropriate by the Committee. Notwithstanding anything to the contrary herein, the performance criteria for any Restricted Stock Award that is intended by the Committee to satisfy the requirements for "performance-based compensation" under Code Section 162(m) shall be a measure based on one or more Qualifying Performance Criteria (as defined in Section 10.2 hereof) selected by the Committee.

7.3 Timing and Form of Award. The Committee shall determine the timing of award of any Restricted Stock Award. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a Participant to elect for the award or vesting of any Restricted Stock to be deferred to a specified date or event. The Committee may provide for a Participant to have the option for his or her Restricted Stock, or such portion thereof as the Committee may specify, to be granted in whole or in part in Stock Units.

7.4 Discretionary Adjustments. Notwithstanding satisfaction of any completion of service or performance goals, the number of Shares granted, issued, retainable and/or vested under a Restricted Stock Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

SECTION 8. Incentive Awards

Each Incentive Award will confer upon the Eligible Employee the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period of not less than one year.

8.1 Incentive Award. Each Incentive Award shall contain provisions regarding (a) the target and maximum amount payable to the Participant as an Incentive Award, (b) the performance criteria and level of achievement versus these criteria which shall determine the amount of such payment, (c) the period as to which performance shall be measured for establishing the amount of any payment, (d) the timing of any payment earned by virtue of performance, (e) restrictions on the alienation or transfer of the Incentive Award prior to actual payment, (f) forfeiture provisions, and (g) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee. In establishing the provisions of Incentive Awards, the Committee may refer to categories of such Awards as parts of "Programs" or "Plans", which names will not affect the applicability of this Plan. The maximum amount payable as an Incentive Award may be a multiple of the target amount payable, but the maximum amount payable pursuant to that portion of an Incentive Award granted under this Plan for any fiscal year to any Participant that is intended to satisfy the requirements for "performance based compensation" under Code Section 162(m) shall not exceed Three million dollars ($3,000,000).

8.2 Performance Criteria. The Committee shall establish the performance criteria and level of achievement versus these criteria which shall determine the target and the minimum and maximum amount payable under an Incentive Award, which criteria may be based on financial performance and/or personal performance evaluations. The Committee may specify the percentage of the target Incentive Award that is intended to satisfy the requirements for "performance-based compensation" under Code Section 162(m). Notwithstanding anything to the contrary herein, the performance criteria for any portion of an Incentive Award...
that is intended by the Committee to satisfy the requirements for "performance-based compensation" under Code Section 162(m) shall be a measure based on one or more Qualifying Performance Criteria (as defined in Section 10.2 hereof) selected by the Committee and specified at the time required under Code Section 162(m).

8.3 Timing and Form of Payment. The Committee shall determine the timing of payment of any Incentive Award. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a Participant to elect for the payment of any Incentive Award to be deferred to a specified date or event. The Committee may specify the form of payment of Incentive Awards, which may be cash, shares or other property, or may provide for a Participant to have the option for his or her Incentive Award, or such portion thereof as the Committee may specify, to be paid in whole or in part in Shares or Stock Units.

8.4 Discretionary Adjustments. Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

SECTION 9. Stock Units

9.1 Stock Units. A "Stock Unit" is a bookkeeping entry representing an amount equivalent to the fair market value of one share of Common Stock, also sometimes referred to as a "restricted unit" or "shadow stock". Stock Units represent an unfunded and unsecured obligation of the Company, except as otherwise provided for by the Committee.

9.2 Stock Unit Awards. Each Stock Unit Award shall reflect, to the extent applicable (a) the number of Stock Units subject to such Award or a formula for determining such, (b) the time or times at which Stock Units shall be granted or issued and/or become retainable or vested, and the conditions or restrictions on such Stock Units, (c) the performance criteria and level of achievement versus these criteria which shall determine the number of Stock Units granted, issued, retainable and/or vested, (d) the period as to which performance shall be measured for determining achievement of performance, (e) forfeiture provisions, and (f) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee. Stock Units may also be issued upon exercise of Options, may be granted in payment and satisfaction of Incentive Awards and may be issued in lieu of Restricted Stock or any other Award that the Committee elects to be paid in the form of Stock Units.

9.3 Performance Criteria. The grant, issuance, retention and or vesting of each Stock Unit may be subject to such performance criteria and level of achievement versus these criteria as the Committee shall determine, which criteria may be based on financial performance, personal performance evaluations and/or completion of service by the Participant; provided, however, that no Stock Unit shall first vest within one (1) year from its date of grant, other than upon death, disability, a Change of Control (as defined in Section 12.2 hereof) or upon satisfaction of such performance requirements as deemed appropriate by the Committee. Notwithstanding anything to the contrary herein, the performance criteria for any Stock Unit that is intended by the Committee to satisfy the requirements for "performance-based compensation" under Code Section 162(m) shall be a measure based on one or more Qualifying Performance Criteria (as defined in Section 10.2 hereof) selected by the Committee and specified at the time the Stock Unit is granted.

9.4 Timing and Form of Award. The Committee shall determine the timing of
award of any Stock Unit. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a Participant to elect for the award or vesting of any Stock Unit to be deferred to a specified date or event. The Committee may provide for a Participant to have the option for his or her Stock Unit, or such portion thereof as the Committee may specify, to be granted in whole or in part in Shares.

9.5 Settlement of Stock Units. The Committee may provide for Stock Units to be settled in cash or Shares (at the election of the Company or the Participant, as specified by the Committee) and to be made at such other times as it determines appropriate or as it permits a Participant to choose. The amount of cash or Shares, or other settlement medium, to be so distributed may be increased by an interest factor or by dividend equivalents, as the case may be, which may be valued as if reinvested in Shares. Until a Stock Unit is settled, the number of Shares represented by a Stock Unit shall be subject to adjustment pursuant to Section 11.

9.6 Discretionary Adjustments. Notwithstanding satisfaction of any completion of service or performance goals, the number of Stock Units granted, issued, retainable and/or vested under a Stock Unit Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

SECTION 10. Other Provisions Applicable to Awards

10.1 Transferability. Unless the agreement evidencing an Award (or an amendment thereto authorized by the Committee) expressly states that it is transferable as provided hereunder, no Award granted under the Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner, other than by will or the laws of descent and distribution, prior to the vesting or lapse of any and all restrictions applicable to any Shares issued under an Award. The Committee may in its sole discretion grant an Award or amend an outstanding Award to provide that the Award is transferable or assignable to a member or members of the Eligible Employee’s "immediate family”, as such term is defined under Exchange Act Rule 16a-1(e), or to a trust for the benefit solely of a member or members of the Eligible Employee's immediate family, or to a partnership or other entity whose only owners are members of the Eligible Employee's family, provided that following any such transfer or assignment the Award will remain subject to substantially the same terms applicable to the Award while held by the Eligible Employee, as modified as the Committee in its sole discretion shall determine appropriate, and the Participant shall execute an agreement agreeing to be bound by such terms.

10.2 Qualifying Performance Criteria. For purposes of this Plan, the term "Qualifying Performance Criteria” shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, subsidiary or business segment, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee in the Award: (a) cash flow, (b) earnings (including gross margin, earnings before interest and taxes ("EBIT"), earnings before taxes ("EBT"), and net earnings), (c) earnings per share, (d) growth in earnings or earnings per share, (e) stock price, (f) return on equity or average stockholders' equity, (g) total stockholder return, (h) return on capital, (i) return on assets or net assets, (j) return on investment, (k) revenue, (l) income or net income, (m) operating income or net operating income, (n) operating profit or net operating profit, (o) operating margin, (p) return on operating revenue, (q) market share, (r) contract awards or backlog, (s) overhead or other expense reduction, (t) growth
stockholder value relative to the two-year moving average of the S&P 500 Index, (u) growth in stockholder value relative to the two-year moving average of the Dow Jones Heavy Construction Index, (v) credit rating, (w) strategic plan development and implementation, (x) succession plan development and implementation, (y) retention of executive talent, (z) improvement in workforce diversity, (aa) return on average stockholders' equity relative to the Ten Year Treasury Yield (as hereinafter defined), (bb) improvement in safety records, (cc) capital resource management plan development and implementation, (dd) improved internal financial controls plan development and implementation, (ee) corporate tax savings, (ff) corporate cost of capital reduction, (gg) investor relations program development and implementation, (hh) corporate relations program development and implementation, (ii) executive performance plan development and implementation, and (jj) tax provision rate for financial statement purposes.

The Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, and (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year. The term "Ten Year Treasury Yield" shall mean, for any fiscal period, the daily average percent per annum yield for U.S. Government Securities -- 10 year Treasury constant maturities, as published in the Federal Reserve statistical release or any successor publication. Prior to the payment of any compensation under an Award intended to qualify as "performance-based compensation" under Code Section 162(m) the Committee shall certify the extent to which any Qualifying Performance Criteria and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Company's Common Stock).

10.3 Dividends. Unless otherwise provided by the Committee, no adjustment shall be made in Shares issuable under Awards on account of cash dividends which may be paid or other rights which may be issued to the holders of Shares prior to their issuance under any Award. The Committee shall specify whether dividends or dividend equivalent amounts shall be paid to any Participant with respect to the Shares subject to any Award that have not vested or been issued or that are subject to any restrictions or conditions on the record date for dividends.

10.4 Agreements Evidencing Awards. The Committee shall, subject to applicable law, determine the date an Award is deemed to be granted, which for purposes of this Plan shall not be affected by the fact that an Award is contingent on subsequent stockholder approval of the Plan. The Committee or, except to the extent prohibited under applicable law, its delegate(s) may establish the terms of agreements evidencing Awards under this Plan and may, but need not, require as a condition to any such agreement's effectiveness that such agreement be executed by the Participant and that such Participant agree to such further terms and conditions as specified in such agreement. The grant of an Award under this Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in this Plan as being applicable to such type of Award (or to all Awards) or as are expressly set forth in the Agreement evidencing such Award.

10.5 Tandem Stock or Cash Rights. Either at the time an Award is granted or by subsequent action, the Committee may, but need not, provide that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash or a combination thereof, the amount of which is determined by reference to the value of the Award; provided,
however, that the number of such rights granted under any Award shall not exceed the per Eligible Employee share limitation for such Award as set forth in Section 3.2.

10.6 Financing. The Committee may in its discretion provide financing to a Participant in a principal amount sufficient to pay the purchase price of any Award and/or to pay the amount of taxes required by law to be withheld with respect to any Award. Any such loan shall be subject to all applicable legal requirements and restrictions pertinent thereto, including Regulation G promulgated by the Federal Reserve Board. The grant of an Award shall in no way obligate the Company or the Committee to provide any financing whatsoever in connection therewith.

SECTION 11. Changes in Capital Structure

If the outstanding securities of the class then subject to this Plan are increased, decreased or exchanged for or converted into cash, property or a different number or kind of shares or securities, or if cash, property or shares or securities are distributed in respect of such outstanding securities, in either case as a result of a reorganization, merger, consolidation, recapitalization, restructuring, reclassification, dividend (other than a regular, quarterly cash dividend) or other distribution, stock split, reverse stock split, spin-off or the like, or if substantially all of the property and assets of the Company are sold, then, unless the terms of such transaction shall provide otherwise, the Committee may make appropriate and proportionate adjustments in (i) the number and type of shares or other securities or cash or other property that may be acquired pursuant to Awards theretofore granted under this Plan and the exercise or settlement price of such Awards, provided, however, that any such adjustment shall be made in such a manner that will not affect the status of any Award intended to qualify as an ISO under Code Section 422 or as performance based compensation under Code Section 162(m), and (ii) the maximum number and type of shares or other securities that may be issued pursuant to such Awards thereafter granted under this Plan.

SECTION 12. Change of Control

12.1 Effect of Change of Control. The Committee may through the terms of the Award or otherwise provide that any or all of the following shall occur, either immediately upon the Change of Control or a Change of Control Transaction, or upon termination of the Eligible Employee's employment within twenty-four (24) months following a Change of Control or a Change of Control Transaction: (a) in the case of an Option, the Participant's ability to exercise any portion of the Option not previously exercisable, (b) in the case of an Incentive Award, the right to receive a payment equal to the target amount payable or, if greater, a payment based on performance through a date determined by the Committee prior to the Change of Control, and (c) in the case of Shares issued in payment of any Incentive Award, and/or in the case of Restricted Stock or Stock Units, the lapse and expiration of any conditions to the grant, issuance, retention, vesting or transferability of, or any other restrictions applicable to, such Award. The Committee also may, through the terms of the Award or otherwise, provide for an absolute or conditional exercise, payment or lapse of conditions or restrictions on an Award which shall only be effective if, upon the announcement of a Change of Control Transaction, no provision is made in such Change of Control Transaction for the exercise, payment or lapse of conditions or restrictions on the Award, or other procedure whereby the Participant may realize the full benefit of the Award.

12.2 Definitions. Unless the Committee or the Board shall provide otherwise, "Change of Control" shall mean an occurrence of any of the following events (a) a third person, including a "group" as defined in Section 13(d)(3) of the Exchange Act, acquires shares of the Company having twenty-five percent or more of the total number of votes that may be cast for the election of directors of the Company, (b) as the result of any cash tender or exchange offer, merger or
other business combination, or any combination of the foregoing transactions (a
"Transaction"), the persons who were directors of the Company before the
Transaction shall cease to constitute a majority of the Board of the Company or
any successor to the Company; or (c) such other events as the Committee or the
Board from time to time may specify. "Change of Control Transaction" shall
include any tender offer, offer, exchange offer, solicitation, merger,
consolidation, reorganization or other transaction which is intended to or
reasonably expected to result in a Change of Control.

SECTION 13. Taxes

13.1 Withholding Requirements. The Committee may make such provisions or
impose such conditions as it may deem appropriate for the withholding or payment
by the Employee or Participant, as appropriate, of any taxes which it determines
are required in connection with any Awards granted under this Plan, and a
Participant's rights in any Award are subject to satisfaction of such
conditions.

13.2 Payment of Withholding Taxes. Notwithstanding the terms of Section 13.1
hereof, the Committee may provide in the agreement evidencing an Award or
otherwise that all or any portion of the taxes required to be withheld by the
Company or, if permitted by the Committee, desired to be paid by the
Participant, in connection with the exercise of a Non-qualified Option or the
exercise, vesting, settlement or transfer of any other Award shall be paid or, at
the election of the Participant, may be paid by the Company withholding
shares of the Company's capital stock otherwise issuable or subject to such
Award, or by the Participant delivering previously owned shares of the Company's
capital stock, in each case having a fair market value equal to the amount
required or elected to be withheld or paid. Any such elections are subject to
such conditions or procedures as may be established by the Committee and may be
subject to disapproval by the Committee.

SECTION 14. Amendments or Termination

The Board may amend, alter or discontinue the Plan or any agreement evidencing
an Award made under the Plan, but no such amendment shall, without the approval
of the shareholders of the Company:

(a) materially increase the maximum number of shares of Common Stock for
which Awards may be granted under the Plan;

(b) reduce the price at which Options may be granted below the price
provided for in Section 6.2;

(c) reduce the exercise price of outstanding Options;

(d) after the date of a Change of Control, impair the rights of any Award
holder, without such holder's consent, under any Award granted prior to
the date of any Change of Control;

(e) extend the term of the Plan; or

(f) change the class of persons eligible to be Participants.

SECTION 15. Compliance With Other Laws and Regulations

The Plan, the grant and exercise of Awards thereunder, and the obligation of the
Company to sell, issue or deliver Shares under such Awards, shall be subject to
all applicable federal, state and foreign laws, rules and regulations and to
such approvals by any governmental or regulatory agency as may be required. The
Company shall not be required to register in a Participant's name or deliver any
Shares prior to the completion of any registration or qualification of such
Shares under any federal, state or foreign law or any ruling or regulation of
any government body which the Committee shall, in its sole discretion, determine
to be necessary or advisable. This Plan is intended to constitute an unfunded
arrangement for a select group of management or other key employees.

No Option shall be exercisable unless a registration statement with respect to the Option is effective or the Company has determined that such registration is unnecessary. Unless the Awards and Shares covered by this Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person receiving an Award and/or Shares pursuant to any Award may be required by the Company to give a representation in writing that such person is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

SECTION 16. Option Grants by Subsidiaries

In the case of a grant of an Option to any Eligible Employee employed by a subsidiary or affiliate, such grant may, if the Committee so directs, be implemented by the Company issuing any subject Shares to the subsidiary or affiliate, for such lawful consideration as the Committee may determine, upon the condition or understanding that the subsidiary or affiliate will transfer the Shares to the optionholder in accordance with the terms of the Option specified by the Committee pursuant to the provisions of the Plan. Notwithstanding any other provision hereof, such Option may be issued by and in the name of the subsidiary or affiliate and shall be deemed granted on such date as the Committee shall determine.

SECTION 17. No Right to Company Employment

Nothing in this Plan or as a result of any Award granted pursuant to this Plan shall confer on any individual any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate an individual's employment at any time. The Award agreements may contain such provisions as the Committee may approve with reference to the effect of approved leaves of absence.

SECTION 18. Effectiveness and Expiration of Plan

The Plan shall be effective on the date the Board adopts the Plan and Old Fluor approves the Plan as sole stockholder of the Company. No Stock Option Award, Restricted Stock Award or Incentive Award shall be granted pursuant to the Plan more than ten (10) years after the effective date of the Plan.

SECTION 19. Non-Exclusivity of the Plan

Neither the adoption of the Plan by the Board nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as it or they may deem desirable, including without limitation, the granting of restricted stock or stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

SECTION 20. Governing Law

This Plan and any agreements hereunder shall be interpreted and construed in accordance with the laws of the State of Delaware and applicable federal law. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Any reference in this Plan or in the agreement evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.
ARTICLE I.  DEFINITIONS

1.1. Definitions

As used herein, the following terms shall have the meanings hereinafter set forth unless the context clearly indicates to the contrary:

(a) "Age for Board Retirement" shall mean the age for mandatory retirement of members of the Board as specified in the Bylaws of the Company, as applied to Eligible Directors on the date of such Eligible Directors’ retirement from the Board.

(b) "Assumed Award" shall mean a restricted stock grant, restricted stock unit or other equity-based arrangement that was granted by Old Fluor to one of its non-employee directors for his or her service as such and which is assumed by the Company in connection with the Distribution, as such award has been adjusted or amended pursuant to the terms thereof.

(c) "Award" shall mean an award of Restricted Stock and/or Restricted Units pursuant to the provisions of Article V or Article VI hereof.

(d) "Awardee" shall mean an Eligible Director to whom Restricted Stock has been awarded hereunder.

(e) "Board" shall mean the Board of Directors of the Company.

(f) "Change of Control" of the Company shall be deemed to have occurred if (i) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, acquires shares of the Company having twenty-five percent or more of the total number of votes that may be cast for the election of directors of the Company; or (ii) as the result of any cash tender or exchange offer, merger or other business combination, or any combination of the foregoing transactions (a "Transaction"), the persons who were directors of the Company before the Transaction shall cease to constitute a majority of the Board of the Company or any successor to the Company.

(g) "Committee" shall mean the administrative body provided for in Section 4.1.

(h) "Company" shall mean Fluor Corporation and, with respect to periods of time prior to the date of the Distribution, Old Fluor.

(i) "Distribution" shall have the meaning set forth in Section 2.2.

(j) "Eligible Director" shall mean a director of the Company who is not and never has been an employee of the Company or any of its Subsidiaries.

(k) "Fluor Stock Price" shall mean, as of any date, the closing sale price for shares of Stock quoted for such date on The New York Stock Exchange.

(l) "Old Fluor" shall have the meaning set forth in Section 2.2.

(m) "Plan" shall mean the Fluor Corporation 2000 Restricted Stock Plan for
Non-Employee Directors, the current terms of which are set forth herein.

(n) "Plan Effective Date" shall mean the date upon which the Plan becomes effective in accordance with the provisions of Section 2.3.

(o) "Restricted Stock Agreement" and "Restricted Unit Agreement" shall mean the agreement between the Company and the Awardee with respect to Restricted Stock and Restricted Units, respectively, awarded hereunder.

(p) "Restricted Stock Award" shall mean Stock that is awarded to an Eligible Director by the Committee pursuant to Article V hereof, which is nontransferable and subject to a substantial risk of forfeiture until specific conditions are met.

(q) "Restricted Unit Award" shall mean amounts awarded pursuant to Article VI hereof.

(r) "Stock" shall mean the Common Stock of the Company or, in the event that the outstanding shares of Stock are hereafter changed into or exchanged for shares of a different stock or securities of the Company or some other corporation, such other stock or securities.

(s) "Subsidiary" shall mean any corporation, the majority of the outstanding capital stock of which is owned, directly or indirectly, by the Company or any partnership or joint venture in which either the Company or such a corporation is at least a twenty percent (20%) equity participant.

ARTICLE II. GENERAL

2.1 Name
----

This Plan shall be known as the "Fluor Corporation 2000 Restricted Stock Plan for Non-Employee Directors".

2.2 Purpose
-------

The purpose of the Plan is to advance the interests of the Company and its stockholders by affording to Eligible Directors of the Company an opportunity to acquire or increase their proprietary interest in the Company by the grant to such directors of Awards under the terms set forth herein. By encouraging non-employee directors to become owners of Company shares, the Company seeks to increase their incentive for enhancing stockholder value and to motivate, retain and attract those highly competent individuals upon whose judgment, initiative, leadership and continued efforts the success of the Company in large measure depends. The Plan also permits Shares to be issuable upon vesting or satisfaction of restricted stock and restricted unit awards that were assumed by the Company in connection with the distribution of the Company's common stock (the "Distribution") to the stockholders of Massey Energy Company, which prior to the distribution was known as Fluor Corporation ("Old Fluor").

2.3 Effective Date
-------------

The Plan shall become effective upon its approval by Old Fluor, as sole stockholder of the Company.

2.4 Limitations
-------------
Subject to adjustment pursuant to the provisions of Section 8.1 hereof, the aggregate number of shares of Stock which may be issued as Awards shall not exceed 120,000. Any such shares may be either authorized and unissued shares or shares issued and thereafter acquired by the Company.

2.5 Awards Granted under Plan
----------------------------------

For purposes of Section 2.4, the aggregate number of shares of Stock issued under this Plan at any time shall equal only the number of shares actually issued pursuant to all Awards and shall not count any shares returned to the Company upon cancellation, expiration or forfeiture of an Award or delivered (either actually or by attestation) in payment or satisfaction of the tax obligation of an Award.

ARTICLE III. PARTICIPANTS

3.1 Eligibility
--------------

Any Eligible Director shall be eligible to participate in the Plan.

ARTICLE IV. ADMINISTRATION

4.1 Composition of Committee
-------------------------------

The Plan shall be administered by the Organization and Compensation Committee of the Board of Directors, and/or by the Board of Directors or another committee of the Board of Directors of the Company, as appointed from time to time by the Board of Directors (any such administrative body, the "Committee"). The Board of Directors shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent.

4.2 Duties and Powers of the Committee.
----------------------------------

Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable in connection with the administration of this Plan with respect to the Awards over which such Committee has authority, including, without limitation, the following:

(a) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein;

(b) to determine the number of Shares subject to Awards;

(c) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan;

(d) to determine whether, and the extent to which, adjustments are required pursuant to Section 8.1 hereof;

(e) to interpret and construe this Plan, any rules and regulations under the Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company; and

(f) to make all other determinations deemed necessary or advisable for the administration of the Plan.

4.3 Determinations of the Committee.
----------------------------------
All decisions, determinations and interpretations by the Committee or the Board regarding the Plan shall be final and binding on all current or former directors of the Company and their beneficiaries, heirs, successors and assigns. The Committee or the Board, as applicable, shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer of the Company or Eligible Director and such attorneys, consultants and accountants as it may select.

4.4 Company Assistance

The Committee may designate the Secretary of the Company or other Company employees to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute agreements evidencing Awards made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company. The Company shall supply full and timely information to the Committee on all matters relating to Eligible Directors, their death, retirement, disability or removal or resignation from the Board and such other pertinent facts as the Committee may require. The Company shall furnish the Committee with such clerical and other assistance as is necessary in the performance of its duties.

ARTICLE V. RESTRICTED STOCK AWARDS

5.1 Awards under the Plan

The Committee may provide for a one-time Restricted Stock Award to any Eligible Director which shall be granted on a date determined by the Committee, in its sole discretion, in connection with such Eligible Director first being appointed or elected to the Board. The Committee shall grant to each Eligible Director that is a member of the Board during all or any portion of each calendar year during the term of the Plan a Restricted Stock Award, which shall be granted on a date determined by the Committee, in its sole discretion. The number of shares of Stock subject to a one-time Restricted Stock Award shall be set by the Committee but shall not exceed 1,500 and the number of shares of Stock subject to an annual Restricted Stock Award shall be set by the Committee but shall not exceed 750.

An Assumed Award is a restricted stock grant, restricted stock unit or other equity-based arrangement that was granted by Old Fluor to its non-employee directors for their service as such and assumed by the Company in connection with the Distribution, as adjusted or amended pursuant to the terms thereof. Assumed Awards may be settled with Stock authorized and issued under this Plan. Notwithstanding any provision to the contrary in this Plan and except as provided in this sentence, the terms of Assumed Awards shall be subject to the terms and conditions set forth in the grant agreement and/or other document(s) evidencing such Award and, to the extent provided therein, to terms equivalent to the terms of the plan under which such Award was originally granted; provided, however, that all Assumed Awards shall be administered by the Committee, which shall have the power and authority provided for in Section 4 of this Plan.

5.2 Restricted Stock Agreement

Each Award granted hereunder must be granted within ten years from the effective date of the Plan. The Awardee shall be entitled to receive the Stock subject to such Award only if the Company and the Awardee, within the time period specified by the Committee, enter into a written Restricted Stock Agreement dated as of the date of the Award, which Agreement shall set forth such terms and conditions as may be determined by the Committee consistent with the Plan.
5.3 Restrictions on Sale or Other Transfer
--------------------------------------
Each share of Stock granted under a Restricted Stock Award shall be subject to acquisition by the Company, and may not be sold or otherwise transferred except pursuant to the following provisions:

(a) The shares of Stock represented by the Restricted Stock Agreement shall be held in book entry form with the Company's transfer agent until the restrictions lapse in accordance with the conditions established by the Committee pursuant to Section 5.4 hereof, or until the shares of Stock are forfeited pursuant to paragraph (c) of this Section 5.3. Notwithstanding the foregoing, the Awardee may request that, prior to the lapse of the restrictions or forfeiture of the shares, certificates evidencing such shares be issued in his name and delivered to him, and each such certificate shall bear the following legend:

"The shares of Fluor Corporation common stock evidenced by this certificate are subject to acquisition by Fluor Corporation, and such shares may not be sold or otherwise transferred except pursuant to the provisions of the Restricted Stock Agreement by and between Fluor Corporation and the registered owner of such shares."

(b) No such shares may be sold, transferred or otherwise alienated or hypothecated so long as such shares are subject to the restriction provided for in this Section 5.3.

5.4 Lapse of Restrictions
---------------------
(a) Unless provided otherwise by the Committee, the restrictions imposed under Section 5.3 above upon a one-time Restricted Stock Award shall lapse to the extent of 20% of the number of shares subject to such Award on such date as shall be designated by the Committee and thereafter, the restrictions on the remaining shares subject to such Award will lapse in four equal increments on the succeeding anniversary dates following the date of lapsing of restrictions on the first 20% of the shares.

(b) Unless provided otherwise by the Committee, the restrictions imposed under Section 5.3 above upon an annual Restricted Stock Award shall lapse once such Restricted Stock is held by the Awardee for at least
six months, the Awardee completes six years of service on the Board of
the Company and any of the following occurs:

(i) the Awardee attains the Age for Board Retirement or obtains Board approval of early retirement in accordance with Section 5.5;

(ii) the Awardee dies or becomes permanently and totally disabled; or

(iii) any Change of Control occurs.

(c) Notwithstanding the foregoing, the Committee may provide that the restrictions imposed under Section 5.3 will lapse over or upon satisfaction of a fewer number of years of service on the Board of the Company, except that the Committee may not provide for full lapsing of all such restrictions for less than three (3) years service on the Board of the Company, other than upon the Awardee's retirement, death or disability, or upon a Change of Control.

5.5 Early Retirement

6

An Awardee who leaves the Board prior to the Age for Board Retirement may, upon application to and in the sole discretion of the Committee, be granted early retirement status.

5.6 Rights as Stockholder

Subject to the provisions of Section 5.3 hereof, upon the issuance to the Awardee of Restricted Stock hereunder, the Awardee shall have all the rights of a stockholder with respect to such Stock, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto.

5.7 Stock Certificates

The Company shall not be required to issue or deliver any certificate for shares of Stock received as Restricted Stock pursuant to a Restricted Stock Agreement executed hereunder, prior to fulfillment of all of the following conditions:

(a) the admission of such shares to listing on all stock exchanges on which the Stock is then listed;

(b) the completion of any registration or other qualification of such shares under any federal or state law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Committee shall in its sole discretion deem necessary or advisable;

(c) the obtaining of any approval or other clearance from any federal or state governmental agency which the Committee shall in its sole discretion determine to be necessary or advisable; and

(d) the lapse of such reasonable period of time following the execution of the Restricted Stock Agreement as the Committee from time to time may establish for reasons of administrative convenience.

7

ARTICLE VI. RESTRICTED UNIT AWARDS
6.1 Restricted Unit Award Grant and Agreement
-----------------------------------------
The Committee may in its discretion provide that Restricted Units be awarded in conjunction with Restricted Stock Awards. Each Restricted Unit Award granted hereunder shall be evidenced by minutes of a meeting or the written consent of the Committee and by a written Restricted Unit Agreement dated as of the date of grant and executed by the Company and the Awardee, which Agreement shall set forth such terms and conditions as may be determined by the Committee consistent with the Plan.

6.2 Award Terms and Conditions
--------------------------
Each Restricted Unit Award shall have a value equal to the value of a corresponding number of shares of Stock on the date that such Award, or portion thereof, becomes earned and payable. Each Restricted Unit Award shall become earned and payable on the dates upon which a portion of the restrictions lapse on any associated Restricted Stock Award, or upon such other terms and conditions as may be determined by the Committee. The proceeds of each Restricted Unit Award shall be applied in payment of applicable federal and state withholding taxes arising from the lapse of restrictions on the related Restricted Stock and from such award (or portion thereof) becoming earned and payable, with the balance, if any, to be remitted to the Awardee.

6.3 Effect of Forfeiture of Restricted Stock Award
----------------------------------------------
Unless provided otherwise by the Committee, upon all or any part of a Restricted Stock Award being forfeited pursuant to Section 5.3(c), any associated Restricted Unit Award shall be forfeited and cancelled, without any payment to the Awardee, to the same extent as such Restricted Stock Award.

ARTICLE VII. TERMINATION, AMENDMENT AND MODIFICATION OF PLAN
7.1 Termination, Amendment and Modification of Plan
-----------------------------------------------
The Committee may at any time terminate, and may at any time and from time to time and in any respect amend or modify, the Plan provided that, if under applicable laws or the rules of any securities exchange upon which the Company's common stock is listed, the consent of the Company's stockholders is required for such amendment or modification, such amendment or modification shall not be effective until the Company obtains such consent, and provided, further, that no termination, amendment or modification of the Plan shall in any manner affect any Award theretofore granted pursuant to the Plan without the consent of the Awardee.

ARTICLE VIII. MISCELLANEOUS
8.1 Adjustment Provisions
---------------------
(a) Subject to Section 8.1(b) below, if the outstanding shares of Stock of the Company are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Stock or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Stock or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares provided in Sections 2.4 and 5.1, and (ii) the number and kind of shares or other securities subject to the outstanding
Awards.

(b) Adjustments under Section 8.1(a) will be made by the Committee, whose
determination as to what adjustments will be made and the extent
thereof will be final, binding, and conclusive. No fractional
interests will be issued under the Plan resulting from any such
adjustments.

8.2 Continuation of Board Service
-----------------------------

Nothing in the Plan or in any instrument executed pursuant to the Plan will
confer upon any Eligible Director any right to continue to serve on the Board.

8.3 Compliance with Government Regulations
---------------------------------------------

No shares of Stock will be issued hereunder unless and until all applicable
requirements imposed by federal and state securities and other laws, rules, and
regulations and by any regulatory agencies having jurisdiction and by any stock
exchanges upon which the Stock may be listed have been fully met. As a
condition precedent to the issuance of shares of Stock pursuant hereto, the
Company may require the Eligible Director to take any reasonable action to
comply with such requirements.

8.4 Privileges of Stock Ownership
-------------------------------

No director and no beneficiary or other person claiming under or through such
person will have any right, title, or interest in or to any shares of Stock
allocated or reserved under the Plan or subject to any Award except as to such
shares of Stock, if any, that have been issued to such director.

8.5 Withholding
--------

The Company may make such provisions as it deems appropriate to withhold any
taxes the Company determines it is required to withhold in connection with any
Award. The Company may require the Eligible Director to satisfy any relevant
tax requirements before authorizing any

issuance of Stock to the director. Such settlement may be made in cash or Stock,
at the discretion of the Committee.

8.6 Non-Transferability
-------------------

For so long as it is subject to any restrictions pursuant to this Plan, an Award
may be owned during the life of the director solely by the director or the
director’s duly appointed guardian or personal representative. No Award and no
other right under the Plan, contingent or otherwise, will be assignable or
subject to any encumbrance, pledge, or charge of any nature.

8.7 Other Compensation Plans
-------------------------

The adoption of the Plan shall not affect any other stock option or incentive or
other compensation plans in effect for the Company or any Subsidiary, nor shall
the Plan preclude the Company from establishing any other forms of incentive or
other compensation for employees or directors of the Company or any Subsidiary.

8.8 Plan Binding on Successors
-----------------------------

The Plan shall be binding upon the successors and assigns of the Company.
8.9       Singular, Plural; Gender
------------------------
Whenever used herein, nouns in the singular shall include the plural, and the
masculine pronoun shall include the feminine gender.

8.10      Headings, etc., Not Part of Plan
--------------------------
Headings of Articles and Sections hereof are inserted for convenience and
reference; they constitute no part of the Plan.

8.11      Governing Law
----------
This Plan and any Awards hereunder shall be governed by and interpreted and
construed in accordance with the laws of the State of Delaware and applicable
federal law. Any reference in this Plan or in the agreement evidencing any
Award to a provision of law or to a rule or regulation shall be deemed to
include any successor law, rule or regulation of similar effect or
applicability.
Dear Shareholder,

As you know, Fluor is proposing to effect a spin-off distribution to its shareholders which will separate Fluor into two publicly-traded companies:

. a "new" Fluor Corporation ("New Fluor") which will continue to own and conduct all of Fluor's existing businesses other than the coal business and other related operations conducted by A. T. Massey Coal Company, Inc. and

. Massey Energy Company which will continue to own and conduct the coal business and other operations conducted by A. T. Massey.

The separation of these businesses will be accomplished through a distribution of 100% of the common stock of New Fluor to shareholders of existing Fluor. As a result of the spin-off distribution, each existing Fluor shareholder will (1) receive one share of New Fluor common stock for each share of existing Fluor common stock and (2) retain their shares in existing Fluor (whose name will be changed to Massey Energy Company).

We believe that this distribution will enable the respective management teams to focus more closely on their businesses and provide flexibility for each of the separated companies to grow in the way best suited for its industry. We believe that each of these companies will be well-positioned to continue as leaders in their respective industries.

Before completing this distribution, we are seeking your approval, as a shareholder of Fluor Corporation. You are cordially invited to attend a Special Meeting of Shareholders of Fluor Corporation to be held on Thursday, November 30, 2000 at the Fluor Daniel Engineering Campus, Building A, located at One Fluor Daniel Drive, Aliso Viejo, California, at 9:00 a.m., local time. Enclosed are a Notice of Special Meeting of Shareholders and a Proxy Statement relating to the Special Meeting.

YOUR BOARD OF DIRECTORS BELIEVES THAT THE DISTRIBUTION IS IN THE BEST INTERESTS OF SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE TO APPROVE IT.

Fluor Corporation has requested a ruling from the Internal Revenue Service that for federal income tax purposes the distribution of the shares of New Fluor common stock to Fluor Corporation shareholders will be tax-free to Fluor Corporation and its shareholders. Fluor Corporation expects to receive a favorable ruling prior to the distribution.

Details of the distribution, which will be considered at the Special Meeting, as well as other important information, are set forth in the accompanying Proxy Statement and should be considered carefully. BECAUSE OF THE SIGNIFICANCE OF THIS TRANSACTION TO FLUOR CORPORATION AND ITS SHAREHOLDERS, IT IS VITAL THAT EVERY SHAREHOLDER VOTES AT THE SPECIAL MEETING IN PERSON OR BY PROXY.

PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY in the accompanying envelope, which requires no postage if mailed in the United
You are, of course, welcome to attend the special meeting and vote in
person, even if you have previously returned your proxy card.

Sincerely yours,

Philip J. Carroll, Jr.
Chairman and Chief Executive Officer
of Fluor Corporation

Don L. Blankenship
Chairman and Chief Executive Officer
of A.T. Massey Coal Company, Inc.

FLUOR CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON NOVEMBER 30, 2000

November 1, 2000

A Special Meeting of Shareholders (the "Meeting") of Fluor Corporation will
be held on November 30, 2000 at 9:00 a.m., local time, at the Fluor Daniel
Engineering Campus, Building A, located at One Fluor Daniel Drive, Aliso Viejo,
California.

The Meeting will be conducted:

1. To consider and vote upon the following proposal: approval of a
special dividend to the holders of the outstanding shares of Fluor
Corporation Common Stock of all outstanding shares of capital stock of a
"new" Fluor Corporation, a wholly owned subsidiary of Fluor Corporation
("New Fluor"), on a pro rata and corresponding basis, all to be effected in
accordance with the terms of a Distribution Agreement to be entered into
between Fluor Corporation and New Fluor.

2. To transact such other business as may properly come before the
Meeting. Shareholders of record at the close of business on October 26,
2000 will be entitled to notice of and to vote at the Meeting.

Fluor Corporation’s Board of Directors unanimously recommends that
shareholders vote for the Distribution.

PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY/VOTING INSTRUCTION
CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

By order of the Board of Directors

/s/Lawrence N. Fisher
Lawrence N. Fisher
Senior Vice President--Law and
Secretary

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CAUTIONARY STATEMENTS

This Proxy Statement/Information Statement (this "Proxy Statement") contains statements relating to future results of the newly created Fluor Corporation ("New Fluor") and Fluor Corporation, to be renamed Massey Energy Company in connection with the transaction described in this Proxy Statement ("Massey"), including certain projections and business trends, that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. All statements regarding New Fluor's or Massey's expected future financial positions, results of operations, cash flows, dividends, financing plans, business strategies, budgets, projected costs and capital expenditures, competitive positions, growth opportunities for existing services, plans and objectives of management for future operations and markets for stock are forward-looking statements. Moreover, when used in this Proxy Statement with respect to New Fluor or Massey, the words "believe," "anticipate," "hope," "estimate," "project," "intend," "expect," and similar expressions are intended to identify forward-looking statements. Although New Fluor and Massey believe the expectations reflected in the forward-looking statements are based on reasonable assumptions, no assurance can be given that the expectations will prove to have been correct. Any forward-looking statements contained in this Proxy Statement should not be relied upon as predictions of future events. These statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and may be incapable of being realized. Shareholders are hereby notified that such information reflects the opinions of New Fluor's and Massey's management as to the future. Shareholders should use their own judgment as to the significance of this information to their individual decisions.

With respect to New Fluor, important factors that could cause actual results to differ materially from the expectations reflected in any forward-looking statements in this Proxy Statement include, among other things:

- risks relating to cost overruns
- project performance problems
- uncertainty of future contract awards
. uncertainty of timing of project revenues
. uncertainties relating to government contracts
. regulatory requirements
. global economic and political uncertainties
. foreign currency fluctuations and
. competitive forces

With respect to Massey, important factors that could cause actual results to differ materially from the expectations reflected in any forward-looking statements in this Proxy Statement include, among other things:

. competition in the coal industry
. a decline in coal prices
. reduced demand for Massey’s coal
. increased labor costs
. workforce disruptions
. transportation problems
. changes in transportation costs
. devaluation of foreign currencies and
. regulatory concerns

For a further discussion of the matters listed above, see the section entitled “Risk Factors” contained in this Proxy Statement.

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Readers are cautioned not to place undue reliance on the forward-looking statements contained in this Proxy Statement, which speak only as of the date hereof. Neither New Fluor nor Massey will update that information except as required by law in the normal course of their respective public disclosure practices.

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This Proxy Statement is first being mailed to shareholders of Fluor Corporation on or about November 1, 2000.

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QUESTIONS AND ANSWERS ABOUT THE DISTRIBUTION

Q1: WHAT IS THE DISTRIBUTION?

A: The Distribution is the method by which Fluor Corporation will be separated into two publicly traded companies:

. Fluor Corporation (“New Fluor”), a leading professional services company offering a diverse range of value-added, knowledge-based services, from traditional engineering, procurement and construction to total asset management

. Massey Energy Company (“Massey”), a leader in the U.S. coal industry
that produces high-quality, low sulfur coal for electric-generation, steel-making and a variety of industrial applications.

Pursuant to the Distribution, Fluor Corporation will distribute to its shareholders in a tax-free dividend one share of New Fluor Common Stock for every share of Fluor Corporation Common Stock held. Immediately after the Distribution, Fluor Corporation's shareholders will still own all of Fluor Corporation's current businesses, but they will own them through their investments in New Fluor and Massey.

Q2: WHAT IS NEW FLUOR?
A: New Fluor is a new company which will continue to operate the non-coal businesses currently at Fluor Corporation, which include a diverse range of value-added, knowledge-based services, from traditional engineering, procurement and construction to total asset management (the "New Fluor Business").

Q3: WHAT IS MASSEY?
A: Massey will be the corporation currently named Fluor Corporation, which will be renamed in connection with the Distribution. Massey will continue to produce high-quality, low sulfur coal for electric-generation, steel-making and a variety of industrial applications (the "Massey Business").

Q4: WHY IS FLUOR CORPORATION SEPARATING ITS BUSINESSES?
A: The management of Fluor Corporation believes that a separation of the New Fluor Business and the Massey Business will allow each business to focus on its respective markets and customers and allow each business to respond more quickly to its particular changing competitive and economic conditions. A separation will also allow management of New Fluor to focus on its core businesses. Moreover, the Massey Business will benefit greatly from management independence and by eliminating the need for approval from non-Massey entities for Massey's significant acquisitions and transactions. A separation will enable Massey to pursue capital investment and expansion opportunities based on the conditions in the coal industry, without unrelated constraints imposed by Fluor Corporation's other businesses.

Q5: WHY IS THIS TRANSACTION STRUCTURED AS A DISTRIBUTION?
A: The Distribution is the most tax-efficient means of separating Fluor Corporation's businesses. Fluor Corporation has applied for a ruling from the Internal Revenue Service that for federal income tax purposes the Distribution of the shares of New Fluor Common Stock to Fluor Corporation shareholders will be tax-free to Fluor Corporation and its shareholders.

Q6: WHAT WILL FLUOR CORPORATION SHAREHOLDERS RECEIVE IN THE DISTRIBUTION?
A: In the Distribution, Fluor Corporation shareholders will receive one share of New Fluor Common Stock for every share of Fluor Corporation Common Stock they own. Immediately after the Distribution, Fluor Corporation's shareholders will still own their shares of Fluor Corporation Common Stock and the same shareholders will still own all of Fluor Corporation's businesses, but they will own them as two separate investments rather than as a single investment.

Q7: WHAT WILL HAPPEN TO THE "OLD" FLUOR CORPORATION SHARE CERTIFICATES?
A: After the Distribution, the certificates representing the "old" Fluor Corporation Common Stock will represent a shareholder's interest in the Massey business.

Q8: WHAT DOES A FLUOR CORPORATION SHAREHOLDER NEED TO DO NOW?
A: Each Fluor Corporation shareholder, after reviewing this Proxy Statement, should indicate on the proxy card how he or she would like to vote and sign and mail it in the enclosed return envelope as soon as possible so that the shares will be represented at the Special Meeting. If a proxy card is signed and returned without an indication of how the shareholder would like to vote, the proxy will be counted as a vote in favor of the Distribution.

THE BOARD OF DIRECTORS OF FLUOR CORPORATION UNANIMOUSLY RECOMMENDS VOTING IN FAVOR OF THE DISTRIBUTION.

The Special Meeting will take place on November 30, 2000. Each Fluor Corporation shareholder may attend the Special Meeting and vote his or her shares in person rather than signing and returning a proxy card. In addition, a proxy can be revoked at any time up to and including the date of the Special Meeting by following the directions on page 20.

Q9: WHERE CAN FLUOR CORPORATION SHAREHOLDERS GET MORE INFORMATION?

A: Fluor Corporation shareholders with additional questions related to the Distribution should contact ChaseMellon Shareholder Services, L.L.C., the Transfer Agent for the Distribution, at P.O. Box 3315, South Hackensack, New Jersey 07606, telephone number: (800) 813-2847. Questions may also be directed to Investor Relations at Fluor Corporation at One Enterprise Drive, Aliso Viejo, California 92656, telephone number: (949) 349-2000. Information regarding the Distribution is also available at Fluor Corporation’s web site located at www.fluor.com.

SUMMARY

This summary highlights selected information from this Proxy Statement and may not contain all of the information that is important to you. To better understand the legal terms of the Distribution, you should read this entire document carefully, as well as the additional documents referred to in this summary and elsewhere. In this Proxy Statement, "Fluor Corporation" refers to Fluor Corporation on or prior to the Distribution Date (as defined herein), "New Fluor" refers to the newly created entity named Fluor Corporation whose shares are being distributed to shareholders in the Distribution, and "Massey" refers to A.T. Massey Coal Company, Inc., a subsidiary of Fluor Corporation prior to the Distribution, and to Fluor Corporation following the Distribution Date, which will change its name to Massey Energy Company.

New Fluor

New Fluor is a leading professional services company offering a diverse range of value-added, knowledge-based services, from traditional engineering, procurement and construction to total asset management. New Fluor will continue to provide these services to its customers globally through four strategic business enterprises:

- Fluor Daniel(SM) provides design, engineering, procurement and construction services on a worldwide basis to an extensive range of infrastructure, industrial, commercial, utility, natural resource, chemical and energy clients.

- Fluor Global Services(SM) provides outsourcing of maintenance services and asset operations, design and build-out services in the telecommunications market, equipment rental and sales, services to the U.S. government and temporary staffing for client projects and other staffing needs.

- Fluor Constructors International, Inc. provides unionized construction management services to a wide variety of industrial businesses worldwide.
Fluor Signature Services (SM) provides business support services including information technology, real estate, safety consulting, transactional accounting and human resource support for New Fluor and potentially for outside clients.

The wide range of services provided by New Fluor strategically positions and differentiates it as a full-service provider of exceptional industry expertise and technical knowledge. New Fluor provides these services through a global network of offices in more than 25 countries on 6 continents.

In recent years, New Fluor has substantially restructured its business operations to lower its cost structure and sharpen its selling and marketing focus. New Fluor's business strategy is to build on its excellent reputation among global customers for project management capability and other professional services while maintaining its strong financial condition and operating flexibility.

Massey Energy Company

Massey is the leading coal producer in the Central Appalachian area of the United States, a region containing substantial reserves of premium metallurgical coal demanded by steel manufacturers as well as low sulfur, high Btu coal desired by electricity providers. Over a number of years, Massey and its parent, Fluor Corporation, have consistently made substantial investments in the operating infrastructure to develop the 18 state-of-the-art mining complexes currently operated by Massey.

Massey has a highly capable management team with a long and proven track record in the coal industry. This team has consistently achieved high levels of productivity while also achieving one of the best safety records in the industry. The Massey accident rate (non-fatal days lost) is less than one-half the coal industry average.

Massey believes that its strategic location and consistent performance have led to a strong and diverse customer base. Its competitive position is enhanced by its strategic access to customers—via rail, rivers, the Great Lakes shipping routes and coastal shipping terminals for export—providing Massey the flexibility to supply different types of coal to meet the varying demands of its customers.

Massey plans to maintain its disciplined growth strategy that has resulted in a threefold increase in coal reserves and a doubling of production over the past ten years. This strategy involves selectivity in acquiring new properties and efficiency in integrating acquired properties into existing infrastructure. Massey also intends to maintain its historically strong financial condition relative to its competitors.

The Special Meeting

We will hold the special meeting on November 30, 2000 at 9:00 a.m., local time, at the Fluor Daniel Engineering Campus, Building A, located at One Fluor Daniel Drive, Aliso Viejo, California.

The Proposal

At the Special Meeting, the shareholders of Fluor Corporation will vote on the following proposal:

- To approve a special dividend (the "Distribution") to the holders of the outstanding shares of Fluor Corporation Common Stock of all outstanding shares of capital stock of New Fluor in accordance with the terms of a Distribution Agreement to be entered into between New Fluor and Massey (the "Distribution Agreement").
Special Meeting Record Date

The board of directors of Fluor Corporation has fixed the close of business on October 26, 2000 as the record date (the "Special Meeting Record Date") for the determination of the holders of Fluor Corporation Common Stock entitled to receive notice of and to vote at the Special Meeting.

Vote Required

Each holder of record of Fluor Corporation Common Stock as of the Special Meeting Record Date is entitled to one vote for each share held. Approval of the Distribution requires the affirmative vote of the majority of the shares of Fluor Corporation Common Stock present in person or represented by proxy at the Special Meeting.

As of October 26, 2000, there were 75,744,873 shares of Fluor Corporation Common Stock outstanding and entitled to vote at the Special Meeting.

For additional information relating to the Special Meeting, see the information set forth under the heading "The Special Meeting" in this Proxy Statement.

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The Distribution

The Distribution is the method by which Fluor Corporation will be separated into two publicly traded companies, New Fluor and Massey. In the Distribution, Fluor Corporation will distribute to its shareholders shares of New Fluor Common Stock, which will represent a continuing interest in Fluor Corporation's businesses, other than the coal business and related operations conducted by Massey. After the Distribution, Fluor Corporation's only business will be the coal business and other related operations conducted by Massey, and the shares of Fluor Corporation Common Stock held by Fluor Corporation shareholders will represent a continuing interest only in that business. In connection with the Distribution, Fluor Corporation will change its name to "Massey Energy Company."

You should note that notwithstanding the legal form of the Distribution described above whereby Fluor Corporation will spin off New Fluor, because of the relative significance of the New Fluor operations to Fluor Corporation, New Fluor will be treated as the "accounting successor" to Fluor Corporation for financial reporting purposes. Therefore, the historical financial information for New Fluor included in this Proxy Statement is that of Fluor Corporation and does not reflect the separation of New Fluor's business from Massey's business that will occur through the Distribution.

The historical financial information for Massey has been prepared on a stand-alone basis as described in Note 1 to the financial statements of Massey included elsewhere in this Proxy Statement. Massey's historical financial information includes allocations of certain Fluor Corporation corporate assets, liabilities and expenses.

Effect on Shareholders

Upon the Distribution, each Fluor Corporation shareholder will retain his or her shares of Fluor Corporation Common Stock and, for each share of Fluor Corporation Common Stock held by the shareholder on the Distribution Record Date (as defined herein), will be entitled to receive one share of New Fluor Common Stock. For additional information regarding the Distribution, see the information set forth under the heading "The Distribution" in this Proxy Statement.

Following the Distribution, the certificates representing the "old" Fluor Corporation Common Stock will represent such shareholders' interests in the Massey business.
Recommendation of the Board

The board of directors of Fluor Corporation believes that the Distribution will enhance shareholder value by allowing New Fluor and Massey to focus on their separate businesses and maximize their opportunities for growth. For a discussion of the factors considered by the board of directors in reaching its decision with respect to the Distribution, see "Background and Reasons for the Distribution--Reasons for the Recommendation of the Fluor Corporation Board of Directors."

The board of directors unanimously recommends that shareholders vote in favor of the Distribution.

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Certain Federal Income Tax Consequences

Fluor Corporation has applied to the Internal Revenue Service for a ruling that the Distribution will be tax free to Fluor Corporation and its shareholders for U.S. federal income tax purposes. Fluor Corporation shareholders will apportion their tax basis in Fluor Corporation Common Stock held immediately before the Distribution among the Fluor Corporation Common Stock (which will represent shares of Massey after the Distribution) and the New Fluor Common Stock received in the Distribution based on the relative fair market values of the stock.

No Appraisal Rights

Under Delaware law, Fluor Corporation shareholders have no right of appraisal of the value of their shares in connection with the Distribution.

Dividends After the Distribution

Following the Distribution and in accordance with its past policies, New Fluor intends to pay an overall annual cash dividend equal to approximately 30 percent to 35 percent of New Fluor's long-term operating performance expectations. The declaration of dividends by Massey will depend on a number of factors, including future earnings, capital requirements, financial conditions and future prospects. The payment and level of cash dividends by New Fluor and Massey will be subject to the discretion of their respective boards of directors.

Listing of New Fluor and Massey Stock

The shares of New Fluor Common Stock to be issued in the Distribution are expected to be listed on the New York Stock Exchange under the symbol "FLR." There is currently no public trading market for these shares.

Massey's common stock (i.e. the "old" Fluor Corporation Common Stock) will continue to trade on the New York Stock Exchange, but the symbol under which it trades will change from "FLR" to "MEE." However, because of the significant changes that will take place at Fluor Corporation as a result of the Distribution, the trading market for Massey's common stock may be significantly different from that for Fluor Corporation Common Stock prior to the Distribution.

Risk Factors

Shareholders should carefully evaluate the matters set forth under the section entitled "Risk Factors," in addition to the other matters described in this Proxy Statement, when deciding whether to approve the Distribution.
FLUOR CORPORATION

SUMMARY FINANCIAL DATA

The following table summarizes certain financial data of Fluor Corporation as of and for the periods indicated. The information set forth below should be read in conjunction with, and is qualified in its entirety by, the information under "Fluor Corporation Selected Consolidated Financial Data," "Fluor Corporation Management's Discussion and Analysis of Financial Condition and Results of Operations," "New Fluor Corporation Unaudited Consolidated Pro Forma Financial Statements" and Fluor Corporation's Consolidated Financial Statements and Notes thereto included elsewhere in this Proxy Statement. For information regarding developments since July 31, 2000, see "Fluor Corporation Management's Discussion and Analysis of Financial Condition and Results of Operations--Recent Developments."

For the Year Ended October 31,  

<table>
<thead>
<tr>
<th>Historical</th>
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<th>Pro Forma (1)</th>
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<tr>
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CONSOLIDATED STATEMENT OF EARNINGS DATA (in millions):

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As of October 31,  

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<tbody>
<tr>
<td>1998</td>
<td>1999</td>
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<tr>
<td>1999 (2)</td>
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CONSOLIDATED BALANCE SHEET DATA (in millions):

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<tbody>
<tr>
<td></td>
<td>1998</td>
<td>1999</td>
</tr>
<tr>
<td></td>
<td>(unaudited)</td>
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2. In March 1999, Fluor Corporation announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization Fluor Corporation recorded a pre-tax charge of $136.5 million to cover direct and other reorganization related costs. In October 1999 and April 2000, Fluor Corporation reversed into earnings $19.3 million and $17.9 million, respectively, due to changes in Fluor Corporation's reorganization plans.

MASSEY ENERGY COMPANY
SUMMARY FINANCIAL DATA

The following table summarizes certain financial data for Massey for the periods indicated:

. on a historical basis as Massey has operated as a subsidiary of Fluor Corporation, combined with the operations of Appalachian Synfuel, LLC, another subsidiary of Fluor Corporation, ownership of which will transfer to Massey in connection with the Distribution.

. on a pro forma basis as if the transaction had occurred on July 31, 2000 for the unaudited combined pro forma balance sheet data and on November 1 of the respective periods for unaudited combined pro forma statement of earnings data.

The information set forth below should be read in conjunction with, and is qualified in its entirety by, the information under "Massey Energy Company Capitalization," "Massey Energy Company Selected Combined Financial Data," "Massey Energy Company Unaudited Pro Forma Combined Financial Information," "Massey Energy Company Management's Discussion and Analysis of Financial Condition and Results of Operations" and Massey Energy Company Combined Financial Statements and Notes thereto included elsewhere in this Proxy Statement. For information regarding developments since July 31, 2000, see "Massey Energy Company Management's Discussion and Analysis of Financial Condition and Results of Operations--Recent Developments."

<table>
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<th>Year Ended October 31,</th>
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<th>Nine Months Ended July 31,</th>
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<tbody>
<tr>
<td></td>
<td>Historical</td>
<td>Pro Forma (1)</td>
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<td>(unaudited)</td>
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<tr>
<td>COMBINED STATEMENT OF</td>
<td></td>
<td></td>
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<tr>
<td>EARNINGS DATA (in</td>
<td></td>
<td></td>
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<tr>
<td>millions):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue..........</td>
<td>$1,109.8</td>
<td>$1,154.0</td>
</tr>
<tr>
<td>Net earnings...........</td>
<td>112.0</td>
<td>128.3</td>
</tr>
<tr>
<td>UNAUDITED PRO FORMA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| EARNINGS PER SHARE (2):
| Basic.................. | $1.61 | $1.74 | $1.40 | $1.01 | $1.01 | $1.04 | $0.72 |
| Diluted................ | 1.61  | 1.74  | 1.40  | 1.01  | 1.01  | 1.04  | 0.72  |
| SHARES USED IN         |
| CALCULATING UNAUDITED |
| PRO FORMA EARNINGS PER |
| SHARE (in thousands)  |
| (2):                   |
| Basic.................. | 73,819 | 73,819 | 73,819 | 73,819 | 73,819 | 73,819 | 73,819 |
| Diluted................ | 73,829 | 73,826 | 73,826 | 73,826 | 73,825 | 73,820 | 73,820 |
| OTHER DATA (in         |
| millions):             |
| EBITDA (3)............. | $286.1 | $320.6 | $306.9 | $306.9 | $224.2 | $221.7 | $221.7 |

As of October 31, As of July 31, 2000

<table>
<thead>
<tr>
<th></th>
<th>Historical</th>
<th>Historical</th>
<th>Pro Forma (1)</th>
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<td>1998</td>
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COMBINED BALANCE SHEET DATA (in millions):

| Working capital (deficit).......... | $ 4.0 | $ 43.9 | $ 128.3 | $(114.9) |
| Total assets.................     | 1,836.9 | 1,980.0 | 2,086.7 | 2,088.9 |
| Total debt..................     | --     | --      | --      | 530.0    |

The information set forth below should be read in conjunction with, and is qualified in its entirety by, the information under "Massey Energy Company Capitalization," "Massey Energy Company Selected Combined Financial Data," "Massey Energy Company Unaudited Pro Forma Combined Financial Information," "Massey Energy Company Management's Discussion and Analysis of Financial Condition and Results of Operations" and Massey Energy Company Combined Financial Statements and Notes thereto included elsewhere in this Proxy Statement. For information regarding developments since July 31, 2000, see "Massey Energy Company Management's Discussion and Analysis of Financial Condition and Results of Operations--Recent Developments."
<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholder's Equity</th>
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<td>1,181.2</td>
<td>1,277.4</td>
</tr>
<tr>
<td>1,391.1</td>
<td>854.6</td>
</tr>
</tbody>
</table>

(1) See "Massey Energy Company Unaudited Pro Forma Combined Financial Information."

(2) Shares used to calculate basic pro forma earnings per share is based on the number of shares expected to be outstanding at the date of the Distribution (assumed to be equal to the 75,669,076 shares of Fluor Corporation common stock outstanding on July 31, 2000 less 1.85 million shares of common stock expected to be acquired upon the settlement of its forward purchase contract). Shares used to calculate diluted earnings per share is based on the number of shares expected to be issued in the Distribution and the dilutive effect of stock options and other stock-based instruments of Fluor Corporation, held by Massey employees, that will be converted to equivalent instruments in Massey Energy Company.

(3) EBITDA is defined as earnings before deducting net interest expense (interest expense less interest income), income taxes and depreciation, depletion and amortization. Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles, management believes that it is useful to an investor in evaluating Massey because it is widely used in the coal industry as a measure to evaluate a company's operating performance before debt expense and its cash flow. EBITDA does not purport to represent cash generated by operating activities and should not be considered in isolation or as a substitute for measures of performance in accordance with generally accepted accounting principles. In addition, because EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

RISK FACTORS

Shareholders should consider the following factors, as well as the other information set forth in this Proxy Statement, before voting on the Distribution.

Risks Relating to the Distribution

Neither Massey nor New Fluor has a recent operating history as a separate company.

Following the Distribution, New Fluor will own and operate all of Fluor Corporation's businesses other than the coal business and related businesses operated by Massey prior to the Distribution, which will be operated by Massey. Neither of these companies has a recent operating history as a separate company, and each has historically been able to rely on the earnings, assets and cash flow of the other.

Following the Distribution, Massey will be substantially leveraged.

On a historical basis, Massey was not allocated any of Fluor Corporation's debt. At the time of the Distribution, Massey expects to have approximately $530 million in indebtedness. Following the Distribution, Massey will be substantially more leveraged on a relative basis than Fluor Corporation was prior to the Distribution, and New Fluor will have significantly less debt than Fluor Corporation had prior to the Distribution. Assuming the Distribution had occurred on July 31, 2000, on a pro forma basis Massey would have had total long-term debt of $300 million and a shareholder's equity of $854.6 million and New Fluor would have had total long-term debt of $17.6 million and total shareholder's equity of $692.3 million. On a pro forma basis, Massey's annual interest expense would have been $37.8 million in fiscal 1999 had the Distribution occurred on November 1, 1998. See "Massey Energy Company Unaudited Pro Forma Combined Financial Information" and Massey's Combined Financial
Statements and Notes thereto included in this Proxy Statement.

There may be substantial changes in Massey's shareholder base.

Many investors holding Fluor Corporation Common Stock may hold that stock because of a decision to invest in a company in the professional services industry. Following the Distribution, the shares of Fluor Corporation Common Stock held by those investors will represent an investment in an energy company. This may not be aligned with a holder's investment strategy, causing the investor to sell the shares. As a result, Massey may experience a dislocation of shareholders as shares of its stock are transferred to shareholders seeking an investment in the energy industry.

There has been no prior trading market for the New Fluor Common Stock.

There is not currently a public market for the New Fluor Common Stock, and there can be no assurance as to the prices the stock will trade at following the Distribution. Until the New Fluor Common Stock is fully distributed and an orderly trading market develops, the price at which the stock trades may fluctuate significantly. The marketplace will determine the prices for the New Fluor Common Stock based on many factors including the depth and liquidity of the market for the stock, developments affecting New Fluor's business and general economic and market conditions. New Fluor intends to file an application to list the New Fluor Common Stock on the New York Stock Exchange under the symbol "FLR."

Holders of Massey Common Stock may experience price fluctuations following the Distribution.

Massey Common Stock (i.e., the "old" Fluor Corporation Common Stock) will continue to trade on the New York Stock Exchange after the Distribution, but the symbol under which it trades will change from "FLR" to "MEE". However, because of the significant changes that will take place as a result of the Distribution, the trading market for Massey Common Stock after the Distribution may be significantly different from that for Fluor Corporation Common Stock prior to the Distribution. The market may view Massey as a "new" company after the Distribution, and it may not be the subject of significant research analyst coverage. There can be no assurance as to the prices at which Massey Common Stock will trade before, on or after the Distribution Date and, until an orderly market develops in the Massey Common Stock, the price at which it trades may fluctuate significantly. Prices for Massey Common Stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for Massey Common Stock, developments affecting the Massey Business and general economic and market conditions.

There are tax risks relating to the Distribution.

Fluor Corporation has applied to the Internal Revenue Service (the "IRS") for a ruling that the Distribution will qualify as a tax-free spin-off under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").

The IRS ruling, if issued, will be based on certain representations that have been made by Fluor Corporation. The ruling may not be relied upon if those representations are incorrect or incomplete in a material respect. Fluor Corporation is not aware of any facts or circumstances that would cause those representations to be incorrect or incomplete in a material respect.

If the Distribution were not to qualify under Section 355 of the Code, then, in general, a corporate tax (which would be very substantial) would be payable by the consolidated group of which Fluor Corporation is the parent. This corporate tax would be based on the excess of the fair market value of the New Fluor stock at the time of the Distribution over Fluor Corporation's tax basis for such stock. The corporate tax, if incurred, would have a material adverse
effect on the financial position, operations and cash flow of New Fluor and/or Massey, depending upon which corporation or corporations bear the burden of the tax.

In addition, if the Distribution failed to qualify for tax-free treatment for the shareholders, each Fluor Corporation shareholder who receives the New Fluor stock in the Distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the New Fluor stock received. That distribution would be taxable as a dividend to the extent of Fluor Corporation's current and accumulated earnings and profits.

Even if the Distribution otherwise qualifies for tax-free treatment under Section 355 of the Code, the distribution may become taxable to Fluor Corporation pursuant to Section 355(e) of the Code if 50% or more of the stock of New Fluor or Massey (the renamed Fluor Corporation) is acquired, directly or indirectly, as part of a plan or series of related transactions that include the Distribution. For this purpose, acquisitions (including acquisitions which are neither planned nor accepted or recommended by the management of the company whose stock is acquired) of New Fluor's stock or Massey's stock within two years before or after the Distribution are presumed to be part of such a plan, although New Fluor or Massey may be able to rebut that presumption. If such an acquisition of New Fluor's stock or Massey's stock triggers the application of Section 355(e), Fluor Corporation would recognize taxable gain to the extent that the fair market value of New Fluor's stock at the time of the Distribution exceeds Fluor Corporation's tax basis for such stock. But the Distribution in such circumstances should generally remain tax-free to Fluor Corporation's shareholders. Under the Tax Sharing Agreement between New Fluor and Massey, Massey would be responsible for payment of the tax liability resulting from an acquisition of Massey's stock, and New Fluor would be required to reimburse Massey for the payment of any tax liability resulting from an acquisition of New Fluor's stock. Such tax liability would be substantial, and there is no assurance that New Fluor or Massey would be able to satisfy its obligation under the Tax Sharing Agreement. See "The Distribution--Federal Income Tax Consequences of the Distribution."

Risks Relating to New Fluor

Some of New Fluor's contracts create significant cost overrun risks.

New Fluor conducts its business under various types of contractual arrangements. In terms of dollar amount, the majority of contracts are of the cost-reimbursable type where the risk of cost increases belongs to the client. However, a significant percentage of New Fluor's contracts are guaranteed maximum, lump sum or unit priced contracts, where New Fluor bears all or a significant portion of the risk for cost overruns. Contract prices are established in part on estimates which are subject to a number of assumptions, such as assumptions regarding future economic conditions, price and availability of labor, equipment and materials and other exigencies which may affect project schedule or cost. If these estimates prove inaccurate, or circumstances change, cost overruns may occur. New Fluor's results of operations and financial condition could be materially adversely affected by cost overruns.

Project performance problems could result in additional costs.

In certain instances, New Fluor guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, New Fluor could incur additional costs. Depending on the nature of the project performance problem, New Fluor may not be able to recover the additional costs incurred, which could exceed revenues realized from a project. Therefore, if New Fluor experiences a project performance problem, its results of operations and financial condition could be materially adversely affected.
The receipt of future contract awards is uncertain.

Estimates of future performance depend on, among other matters, New Fluor's estimates as to whether and when it will receive certain new contract awards. While these estimates are based upon good faith judgment, these estimates can be unreliable and may frequently change based on new facts as they become available. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when New Fluor will receive a contract award. The uncertainty of contract award timing can present difficulties in matching workforce size with contract needs. In some cases, New Fluor maintains and bears the cost of a ready workforce that is larger than called for under existing contracts in anticipation of future workforce needs under expected contract awards. If an expected contract award is delayed or not received, New Fluor would incur costs that could have a material adverse effect on its results of operations and financial condition.

Timing of receipt of project revenues is uncertain.

A number of factors outside of New Fluor's control can affect the time at which it receives revenue from engineering and construction projects. Depending upon external conditions, a client may either cancel a project, put it on hold or extend the schedule. Also, future economic conditions, price and availability of labor, equipment and materials, applicable law, weather delays, civil unrest or labor disruptions may impact the realization of revenues. If revenue that New Fluor expects to receive from a project is either delayed or not received, New Fluor's results of operations and financial condition could be materially adversely affected.

Government contracts expose New Fluor to uncertainties.

A number of New Fluor's contracts are government contracts. Typically, government contracts are subject to various restrictions and uncertainties such as oversight audits by government representatives and profit and cost controls. In some cases, government contracts are exposed to the uncertainties associated with Congressional funding. In addition, government contracts are subject to specific procurement regulations and a variety of other socio-economic requirements. New Fluor must comply with these government regulations and requirements, as well as various statutes related to employment practices, environmental protection, recordkeeping and accounting. Its failure to comply with any of these regulations, requirements and statutes could lead to suspension from government contracting or subcontracting for a period of time. If one of New Fluor's government contracts was terminated for any reason, or if New Fluor was suspended from government contract work, its results of operations and financial condition could be materially adversely affected.

The amount of backlog is not indicative of future earnings.

The dollar amount of New Fluor's backlog is not necessarily indicative of future earnings. Cancellations or scope adjustments may occur with respect to contracts reflected in New Fluor's backlog. If New Fluor experiences significant cancellations or scope adjustments in backlog contracts, its results of operations and financial condition could be materially adversely affected.

Future environmental, safety and health requirements could affect New Fluor's financial condition.

It is impossible to reliably predict the full nature and impact of future judicial, legislative or regulatory developments relating to the environmental protection, safety and health requirements applicable to New Fluor's operations. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that the costs associated with meeting those requirements are
substantial, there could be a material adverse effect on New Fluor's results of operations and financial condition.

Global economic and political conditions create uncertainties.

New Fluor's businesses are subject to fluctuations in demand and to changing economic and political conditions, not only domestically, but internationally, which are beyond New Fluor's control. In particular, the engineering and construction businesses are global and are affected by market conditions outside of the United States. These businesses are often subject to, among other matters, foreign government policies and regulations, embargoes, U.S. government policies and international hostilities. Although New Fluor tries to reduce exposure to uncertain international market conditions, it is unable to completely predict or control the amount and mix of business and sales. To the extent that international businesses are affected by unexpected international market conditions, New Fluor's results of operations and financial condition could be materially adversely affected.

Foreign currency fluctuations could adversely affect New Fluor's operating results.

Because New Fluor's functional currency is the U.S. dollar, non-U.S. operations sometimes face the additional risk of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. New Fluor attempts to limit its exposure to foreign currency fluctuations in contracts by requiring client payments in U.S. dollars or other currencies that correspond to the currency in which project costs are incurred. Changes in the value of foreign currencies could materially adversely affect New Fluor's results of operations and financial condition.

Intense competition poses challenges to profitability.

New Fluor serves markets that are highly competitive and in which a large number of multinational companies compete. In particular, the engineering and construction business is highly competitive and requires substantial resources and capital investment in equipment, technology and skilled personnel. Competition also impacts contract prices and profit margins. New Fluor expects intense competition to continue in this market, presenting New Fluor with significant challenges in its ability to maintain strong growth rates and acceptable profit margins. If New Fluor is unable to meet these competitive challenges, there could be a material adverse effect on New Fluor's results of operations and financial condition.

Competition and other factors in AMECO's equipment rental business could impact New Fluor's operating results.

AMECO, one of the subsidiaries in the Fluor Global Services strategic business enterprise, derives its revenues from equipment rental and sales. This industry is highly fragmented, competitive and is rapidly consolidating. Many of AMECO's competitors are more geographically diverse and have greater name recognition than AMECO. There can be no assurance that AMECO will not encounter increased competition from existing competitors or new market entrants that will be significantly larger or have greater marketing and other resources than AMECO. In addition, to the extent existing or future competitors seek to gain or retain market share by reducing prices, AMECO may be required to lower its prices and rates, thereby adversely affecting operating results. New Fluor's results of operations and financial condition could be materially adversely effected by such events.

Risks Relating to Massey

Coal markets are highly competitive and affected by factors beyond Massey's control.

Massey competes with coal producers in various regions of the United States
for domestic sales and with both domestic and overseas producers for sales to international markets. Continued demand for Massey's coal and the prices that it will be able to obtain primarily will depend upon coal consumption patterns of the domestic electric utility industry and the domestic steel industry. Consumption by the domestic utility industry is affected by the demand for electricity, environmental and other governmental regulations, technological developments and the price of competing coal and alternative fuel supplies including nuclear, natural gas, oil and renewable energy sources, including hydroelectric power. Consumption by the domestic steel industry is primarily affected by the demand for U.S. steel. Massey's sales of metallurgical coal are dependent on the continued financial viability of domestic steel companies and their ability to compete with steel producers abroad. Reduced demand for Massey's coal could have a material adverse effect on Massey's business, financial condition and results of operations.

A significant decline in coal prices could adversely affect Massey's operating results and cash flows.

Massey's results of operations are highly dependent upon the prices it receives for its coal and its ability to improve productivity and reduce costs. Recent demand for coal has decreased because of the warm winters in the northeastern United States in 1998 and 1999. Prices for export coal also have declined because foreign currency fluctuations compared to the U.S. dollar have increased competitive pressures. This has caused pricing pressures within the coal industry and requires Massey to increase productivity and decrease costs in order to maintain its margins. If Massey is not able to do so, its operating results could be adversely affected. Price declines may adversely affect operating results for future periods and Massey's ability to generate cash flows necessary to improve productivity and expand operations. A decline in coal prices could have a material adverse effect on Massey's business, financial condition and results of operations.

Massey depends on continued demand from its customers.

Massey depends on the continued demand for coal by domestic utilities and domestic steel manufacturers in order to maintain its volume of sales. Reduced demand from Massey's largest customers could have an adverse impact on Massey's ability to achieve its projected revenues. When Massey's contracts with its customers reach expiration, there can be no assurance that the customers either will extend or enter into new long-term contracts or, in the absence of long-term contracts, that they will continue to purchase the same amount of coal as they have in the past or on terms, including pricing terms, as favorable as under existing agreements. The loss of customers or changes in the amounts of coal that they purchase from Massey or the terms on which they buy could have a material adverse effect on Massey's business, financial condition and results of operations.

Union represented labor creates an increased risk of work stoppages and higher labor costs.

Eight of Massey's coal processing plants and one of its smaller surface mines have a workforce that is represented by the United Mine Workers of America. In fiscal 1999, these eight processing plants handled approximately 25% of Massey's coal production. There may be an increased risk of strikes and other related work actions, in addition to higher labor costs, associated with these operations. At July 31, 2000 less than 5% of Massey's total workforce was represented by a union. The United Mine Workers of America has filed a petition for an election to represent the hourly workforce at Performance Coal Company's Upper Big Branch mine. Massey has also experienced other union organizing campaigns at some of its open shop facilities within the past five years. If some or all of Massey's current open shop operations were to become union represented, Massey could incur additional risk of work stoppages and higher labor costs. Increased labor costs or work stoppages could have a material adverse effect on Massey's business, financial condition and results of operations.

Recent cost reduction initiatives could have an adverse effect on Massey’s workforce.
In 1999, Massey focused on cost reductions in order to maintain its profitability in the face of dropping coal prices. Massey began with negotiated price reductions from its vendors and then turned to internal cost savings initiatives. These initiatives included reduced salaries and wages, lowered bonuses and reduced benefits coverage. As a result of these efforts, Massey has experienced somewhat increased employee turnover. There can be no assurance that this trend will not continue in the near future. In addition, there may be an increased risk of labor disruption or union organizing efforts. These disruptions or activities could have a material adverse effect on Massey's business, financial condition and results of operations.

Transportation disruptions could impair Massey's ability to sell coal.

Massey's transportation providers are important in order to provide access to markets. Massey's major rail transportation providers, CSX Transportation, Inc. and Norfolk Southern Corporation, have experienced some operational difficulties in the past year due to the integration by each of a portion of Conrail's operations. In mid-1999, these providers' delays in service caused Massey to miss some of its shipments. There has been recent improvement by these carriers; however, Massey cannot be assured that these transportation providers will not face continued difficulties. Disruption of transportation services because of such problems or from weather-related problems, strikes, lockouts or other events could temporarily impair Massey's ability to supply coal to customers and could have a material adverse effect on its business, financial condition and results of operations.

Fluctuations in transportation costs could affect the demand for Massey's coal.

Transportation costs represent a significant portion of the delivered cost of coal and, as a result, the cost of delivery is a critical factor in a customer's purchasing decision. Increases in transportation costs could make coal a less competitive source of energy. Such increases could have a material adverse effect on Massey's ability to compete with other energy sources and on its business, financial condition and results of operations. On the other hand, significant decreases in transportation costs could result in increased competition from coal producers in other parts of the country. For instance, coal mines in the western United States could become an attractive source of coal to consumers in the eastern part of the country if the costs of transporting coal from the west were significantly reduced. This increased competition could have a material adverse effect on Massey's business, financial condition and results of operations.

Foreign currency fluctuations could adversely affect the competitiveness of Massey's coal abroad.

Massey relies on customers in other countries for a portion of its sales, with shipments to countries in Europe, North America, South America and Asia. Massey competes in these international markets against coal produced in other countries. Coal is sold internationally in U.S. dollars. As a result, mining costs in competing producing countries may be reduced in U.S. dollar terms based on currency exchange rates, providing an advantage to foreign coal producers. Currency fluctuations in producing countries could adversely affect the competitiveness of U.S. coal in international markets and could have a material adverse effect on Massey's business, financial condition and results of operations.

Coal mining is subject to inherent risks.

Massey's operations are subject to certain events and conditions which could disrupt operations, including fires and explosions from methane, accidental minewater discharges, natural disasters, equipment failures and maintenance problems, flooding, changes in geologic conditions, failure of
reserve estimates to prove correct and inability to acquire mining rights or permits. Massey maintains business interruption insurance and property and general liability insurance policies that provide limited coverage for some, but not all, of these risks. Even where insurance coverage applies, there can be no assurance that these risks would be fully covered by Massey's insurance policies. Any disruption of Massey's operations could have a material adverse effect on Massey's business, financial condition and results of operations.

Government regulations increase Massey's costs and may discourage customers from buying Massey's coal.

Numerous governmental permits and approvals are required for coal mining operations. Massey may be required to prepare and present to federal, state and local authorities more extensive data describing the effect

or impact that any proposed mining operations may have upon the environment. For example, the West Virginia Division of Environmental Protection is involved in litigation regarding its alleged failure to consider the hydrologic effects of mining operations in issuing mining permits. This suit could lead to additional requirements that Massey and other mining companies assess potential hydrologic risks. These and any other increased requirements may be costly and time-consuming and may delay commencement or continuation of mining operations.

New legislation and new regulations may be adopted which could materially adversely affect Massey's mining operations, cost structure or its customers' ability to use coal. New legislation and new regulations may also require Massey or its customers to change operations significantly or incur increased costs. The U.S. Environmental Protection Agency (the "EPA") has undertaken broad initiatives aimed at increasing compliance with emissions standards and to provide incentives to customers for decreasing emissions, often by switching to an alternative fuel source. These efforts and continued stringent legislation, regulation and enforcement could have a material adverse effect on Massey's business, financial condition and results of operations.

The Clean Air Act affects Massey's customers and could influence their purchasing decisions.

The Clean Air Act and corresponding state laws extensively regulate emissions into the air of particulate matter and other substances, including sulfur dioxide, nitrogen oxides and mercury. In order to comply with limitations on emissions, Massey's customers may switch to other fuels or coal from other regions, which could have a material adverse effect on Massey's business, financial condition and results of operations.

The Clean Air Act affects coal mining operations by requiring utilities that currently are major sources of nitrogen oxides in moderate or higher ozone nonattainment areas to install reasonably available control technology. In July 1997, the EPA adopted new, more stringent National Ambient Air Quality Standards for particulate matter and ozone. The adoption and implementation of these more stringent standards have been challenged in litigation and the outcome of that challenge is uncertain at this time. The specific provisions of these standards could be revised by the EPA.

In October 1998, the EPA issued its final rule entitled "Finding of Significant Contribution and Rulemaking for Certain States in the Ozone Transport Assessment Group Region for Purposes of Reducing Regional Transport of Ozone" (the NOx SIP Call rule). In the final rule, the EPA found that sources in 22 states and the District of Columbia emit NOx in amounts that significantly contribute to nonattainment of National Ambient Air Quality Standards, or will interfere with maintenance of those standards, in one or more downwind states. The rule requires the 22 upwind states and the District of Columbia to submit state implementation plan revisions to prohibit specified amounts of emissions of oxides of nitrogen (NOx)--one of the precursors to ozone (smog) pollution--for the purpose of reducing NOx and ozone transport across state boundaries in the eastern half of the United States. Although
states may choose any mix of pollution reduction measures that will achieve the required reductions, it is widely anticipated that states will target large utility and industrial boilers, which could materially reduce the demand for coal by these users.

Additionally, the EPA has granted petitions filed by four northeast states under section 126 of the Clean Air Act. The granting of these petitions means that stationary sources located in upwind states--mostly coal-fired utilities--must reduce their emissions of NOx. The deadline for compliance under the section 126 petitions is May 2003.

The EPA has filed suit against a number of leading electric utilities (including Massey customers) in U.S. District Court, asserting that these utilities must install new emission controls at plants previously "grandfathered" from the more stringent requirements now applicable under the Clean Air Act. The EPA is also pursuing an administrative proceeding against the Tennessee Valley Authority on the same basis. Installation of these controls would require very significant capital investment, and some utilities might choose to switch to non-coal generation rather than make such investment. This could materially decrease the demand for coal.

No assurance can be given that the implementation of the Clean Air Act, the new National Ambient Air Quality Standards, the NOx SIP Call rule or any other future regulatory action will not materially adversely affect Massey's business, financial condition and results of operation.

The passage of legislation responsive to the Framework Convention on Global Climate Change could have an adverse effect on Massey's business.

The United States and more than 160 other nations are signatories to the 1992 Framework Convention on Global Climate Change ("Kyoto Protocol") which is intended to limit emissions of greenhouse gases, such as carbon dioxide. Although the U.S. Senate has not yet ratified the Kyoto Protocol and no comprehensive regulations controlling greenhouse gas emissions have been issued, efforts to control greenhouse gas emissions could result in reduced use of coal if electric power generators switch to lower carbon sources of fuel. Such restrictions could have a material adverse effect on Massey's business, financial condition and results of operation.

Massey is subject to the Clean Water Act which imposes monitoring and reporting obligations.

The federal Clean Water Act affects coal mining operations by imposing restrictions on discharge of pollutants into waters and dredging and filling of wetlands. Regular monitoring, as well as compliance with reporting requirements and performance standards, are preconditions for the issuance and renewal of permits governing the discharge of pollutants into water. The requirements under the Clean Water Act may materially adversely affect Massey's business, financial condition and results of operations.

On October 20, 1999, the U.S. District Court for the Southern District of West Virginia issued an injunction which prohibits the construction of valley fills over both intermittent and perennial stream segments as part of mining operations. While Massey is not a party to this litigation, virtually all mining operations (including Massey's) utilize valley fills to dispose of excess materials mined during coal production. This decision is now under appeal to the Fourth Circuit Court of Appeals and the district court has issued a stay of its decision pending the outcome of the appeal. If and to the extent that the district court's decision is upheld and legislation is not passed which limits the impact of the decision, all or a portion of Massey's mining operations could be affected which could have a material adverse effect on Massey's business, financial condition and results of operations.

Deregulation of the electric utility industry could lead to efforts to reduce coal prices.
Deregulation of the electric utility industry, when implemented, will enable industrial, commercial and residential customers to shop for the lowest cost supply of electricity. This fundamental change in the power industry may result in efforts to reduce coal prices, which could have a material adverse effect on Massey's business, financial condition and results of operations.

Massey has significant obligations for legislatively mandated benefits programs.

Under black lung benefits legislation, each coal mine operator is required to make payments of black lung benefits to current and former coal miners, survivors of a miner who dies from black lung disease and a trust fund for some qualified claimants. In addition to federal acts, Massey is also liable under various state statutes for black lung claims. Massey's unfunded black lung benefits liabilities totaled approximately $29.4 million at October 31, 1999.

In recent years, legislation on black lung reform has been introduced but not enacted in Congress. It is possible that such legislation will be reintroduced for consideration by Congress. If any of the proposals included in such or similar legislation is passed, the number of claimants who are awarded benefits could significantly increase. There can be no assurance that any such changes in black lung legislation, if approved, will not have a material adverse effect on Massey's business, financial condition and results of operations.

The U.S. Department of Labor has issued proposed amendments to the regulations implementing the federal black lung laws which, among other things, establish a presumption in favor of a claimant's treating physician and limit a coal operator's ability to introduce medical evidence regarding the claimant's medical condition. If adopted, the amendments could have an adverse effect on Massey, the extent of which cannot be accurately predicted.

Additionally, Massey is required to compensate employees for work-related injuries. Its self-insured workers' compensation liabilities were $25.6 million at October 31, 1999. Several states in which Massey operates consider changes in workers' compensation laws from time to time. Such changes, if enacted, could adversely affect Massey's business, financial condition and results of operations.

Massey has significant obligations for company-sponsored health and welfare benefit plans.

Massey provides various health and welfare benefits to inactive and retired employees. These obligations have been estimated based on the assumptions described in Notes 3 and 5 of Massey's Notes to Combined Financial Statements. At October 31, 1999, these obligations include post-retirement medical and life insurance ($62.7 million) and long-term disability ($6.9 million). If Massey's assumptions are proven inaccurate, cash expenditures and costs could be materially greater than those reflected in its financial statements. This could have a material adverse effect on Massey's business, financial condition and results of operations.

Massey's acquisition strategy may not be realized or may require it to raise capital by incurring substantial debt or issuing additional equity.

Massey intends to pursue growth through acquisitions. The coal industry is experiencing rapid consolidation, with many companies seeking to consummate acquisitions and increase their market share. Massey competes and will continue to compete with many other buyers for acquisitions. Massey cannot provide any assurance that future acquisitions will be available on attractive terms. Massey's ability to consummate any acquisition will be subject to various conditions, including the negotiation of satisfactory agreements, obtaining necessary regulatory approvals and financing. Failure to achieve its
acquisition strategy could adversely affect Massey's business, financial condition and results of operations.

THE SPECIAL MEETING

Date, Time and Place of Special Meeting

The Special Meeting of Fluor Corporation will be held on November 30, 2000 at 9:00 a.m., local time, at the Fluor Daniel Engineering Campus, Building A, located at One Fluor Daniel Drive, Aliso Viejo, California.

Matters for Consideration at Special Meeting

At the Special Meeting, the shareholders of Fluor Corporation will be asked to consider and vote on the following proposal: to approve a special dividend (the "Distribution") to the holders of the outstanding shares of Fluor Corporation Common Stock of all outstanding shares of capital stock of New Fluor in accordance with the terms of a Distribution Agreement to be entered into between New Fluor and Massey (the "Distribution Agreement").

THE BOARD OF DIRECTORS OF FLUOR CORPORATION UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE DISTRIBUTION.

Special Meeting Record Date

Fluor Corporation's board of directors has fixed the close of business on October 26, 2000 as the Special Meeting Record Date for the determination of the holders of Fluor Corporation Common Stock entitled to receive notice of and to vote at the Special Meeting.

Vote Required

Fluor Corporation believes that under Delaware law, which governs the Distribution, a vote of shareholders is not required in connection with the Distribution. Delaware law requires the approval of the holders of at least a majority of a corporation's outstanding shares entitled to vote thereon for a sale, lease or exchange of all or substantially all of the assets of the corporation. Fluor Corporation believes that a dividend, such as the Distribution, is not such a sale, lease or exchange and that, in any event, the Distribution does not involve all or substantially all of Fluor Corporation's assets. Although Fluor Corporation believes that shareholder approval is not required, it is seeking such approval because of the significance of the Distribution to its shareholders.

Fluor Corporation is seeking approval of the Distribution by the holders of at least a majority of the shares present in person or by proxy at the Special Meeting. If the Distribution is not approved by the holders of at least a majority of the shares present in person or by proxy at the Special Meeting, the distribution will not be consummated. Each shareholder of record as of the Special Meeting Record Date is entitled at the Special Meeting to one vote for each share of Fluor Corporation Common Stock held. The presence, either in person or by properly executed proxy, of the holders of a majority of the shares of Fluor Corporation Common Stock outstanding on the Special Meeting Record Date is necessary to constitute a quorum at the Special Meeting.

Abstentions and executed proxies returned by a broker holding shares of Fluor Corporation Common Stock in street name which indicate that the broker does not have discretionary authority as to certain shares to vote on one or more matters ("broker non-votes") will be considered present at the Special Meeting for purposes of establishing a quorum. Abstentions will not be voted. Broker non-votes will not be counted as votes cast for the Distribution. Since approval of the Distribution requires the affirmative vote of the majority of the shares present in person or represented by proxy at the Special Meeting, abstentions and broker non-votes will have the effect of votes cast against the Distribution.
Voting and Revocation of Proxies

Shares of Fluor Corporation Common Stock represented by a proxy properly signed and received at or prior to the Special Meeting, unless subsequently revoked, will be voted in accordance with the instructions thereon. IF A PROXY IS SIGNED AND RETURNED WITHOUT-indicating any voting instructions, shares of Fluor Corporation common stock represented by the proxy will be voted for the distribution.

Fluor Corporation proxy holders may, in their discretion, vote shares to adjourn the Special Meeting to solicit additional proxies in favor of the Distribution. However, shares of Fluor Corporation Common Stock with respect to which a proxy is signed and returned indicating a vote against the Distribution will not be so voted to adjourn.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before the proxy is voted by the filing of an instrument revoking it or of a duly executed proxy bearing a later date with the Secretary of Fluor Corporation prior to or at the Special Meeting, or by voting in person at the Special Meeting. All written notices of revocation and other communications with respect to revocation of proxies should be addressed to Fluor Corporation, c/o ChaseMellon Shareholder Services, L.L.C., Attention: Proxy Processing, Church Street Station, P.O. Box 1677, New York, New York 10008-1677 (the "Transfer Agent"). Attendance at a Special Meeting will not in and of itself constitute a revocation of a proxy.

The board of directors of Fluor Corporation is not currently aware of any business to be acted upon at the Special Meeting other than as described in this Proxy Statement. If, however, other matters are properly brought before the Special Meeting, the persons appointed as proxies will have discretion to vote or act thereon according to their best judgment.

Fluor Corporation shareholders will not be entitled to present any matters for consideration at the Special Meeting.

Solicitation of Proxies

In addition to solicitation by mail, directors, officers and employees of Fluor Corporation, who will not be specifically compensated for such services, may solicit proxies from the shareholders of Fluor Corporation, personally or by telephone, telecopy or telegram or other forms of communication. Brokers, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and will be reimbursed for their reasonable expenses incurred in sending proxy materials to beneficial owners.

In addition, Fluor Corporation has retained Georgeson & Company Inc. to assist in the solicitation of proxies. The fees to be paid to such firm for such services by Fluor Corporation are not expected to exceed $20,000, plus reasonable out-of-pocket costs and expenses. Fluor Corporation will pay the costs incurred in printing this Proxy Statement.

BACKGROUND AND REASONS FOR THE DISTRIBUTION

Fluor Corporation, directly and through its subsidiaries, currently engages in:

- the provision of a diverse range of value-added, knowledge-based services, from traditional engineering, procurement and construction to total asset management (the "New Fluor Business")
The production of high-quality, low sulfur coal for electric-generation, steel-making and a variety of industrial applications (the "Massey Business")

The board of directors of Fluor Corporation has decided, for the reasons set forth below, to distribute to Fluor Corporation's shareholders all of the outstanding stock of New Fluor. After the consummation of the Distribution, New Fluor will conduct the New Fluor Business, and Fluor Corporation will be renamed "Massey Energy Company" and will conduct the Massey Business.

During the period from January 2000 through May 2000, Fluor Corporation's management and legal and financial advisors considered various alternative transactions involving the Massey Business. The proposal to effect the Distribution was presented to and approved by the board of directors of Fluor Corporation on June 7, 2000. On June 8, 2000, Fluor Corporation publicly announced its intention to complete the Distribution and held a press conference in New York City. Thereafter, Fluor Corporation's management and legal and financial advisors continued to meet to resolve business issues and to prepare the necessary documentation.

Reasons for the Recommendation of the Fluor Corporation Board of Directors

The board of directors of Fluor Corporation believes that the Distribution is in the best interests of Fluor Corporation and Fluor Corporation's shareholders and that the separation of New Fluor and Massey will enable the respective management teams to focus more closely on their businesses and provide flexibility for each of the separated companies to grow in the way best suited for its industry.

After the separation, New Fluor and Massey will each be able to pursue the separate, and at times fundamentally different, business strategies that are appropriate in their respective industries. New Fluor, for example, may operate with minimal debt levels so as to be able to use its financial strength to augment its competitive position and to pursue other business opportunities. Massey may choose to assume more debt in order to take advantage of future coal industry consolidation. Massey, as an independent company, will also be in a better position to offer targeted incentives to its management and employees.

The board of directors of Fluor Corporation considered all of these factors, as well as the advice of its financial advisors referred to below, in connection with its decision to proceed with the Distribution and recommend that shareholders vote in favor of the Distribution. In this regard, the board of directors of Fluor Corporation did not assign any particular weight to specific factors, and individual directors may have assigned different weights to different factors.

FLUOR CORPORATION'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE DISTRIBUTION TO BE VOTED UPON AT THE SPECIAL MEETING.

Review of Financial Advisors

As described below, in connection with its evaluation of the Distribution, Fluor Corporation's board of directors received advice from its financial advisor, Salomon Smith Barney Inc. ("SSB"), and a solvency opinion from American Appraisal Associates.

Financial Review of Salomon Smith Barney

SSB reviewed with the board of directors, and assisted management in its evaluation of, certain financial aspects related to the potential separation of the coal business from the professional services business, including the stand-alone capital structures of each business and the potential advantages and disadvantages of various alternatives to the distribution. Among the alternatives considered by the board of directors, with the assistance of management and SSB, were a sale of the coal business, a public offering of the
coal business, a joint venture between the coal business and another party, and a master limited partnership offering for the coal business. Evaluation criteria for each of these alternatives included its feasibility, the potential for the respective management teams to focus more closely on their core business and whether such alternative would provide the financial flexibility necessary for future growth for each business. Additionally, SSB reviewed with management and the board the trading prices and multiples of selected companies in the coal mining business and Fluor Corporation's other businesses and the terms of certain other spin-off transactions.

Solvency Opinion

In a written opinion delivered on October 27, 2000 (the "Solvency Opinion"), American Appraisal Associates stated that, based upon the considerations set forth therein and on other factors it deemed relevant, it was of the opinion that, assuming the Distribution is consummated substantially as proposed: (a) the fair value of the aggregate assets of Fluor Corporation before consummation of the Distribution, and the aggregate assets of each of New Fluor and Massey after consummation of the Distribution, will exceed their respective total liabilities (including contingent liabilities); (b) the present fair saleable value of the aggregate assets of Fluor Corporation before consummation of the Distribution, and of each of New Fluor and Massey after consummation of the Distribution, will be greater than their respective probable liabilities on their debts as such debts become absolute and matured; (c) each of New Fluor and Massey, after consummation of the Distribution, will be able to pay its respective debts and other liabilities (including contingent liabilities and other commitments) as they mature; (d) each of New Fluor and Massey, after consummation of the Distribution, will not have unreasonably small capital for the business in which it is engaged, as management of Fluor Corporation has indicated such businesses are now conducted and as management of New Fluor and Massey have indicated their businesses are proposed to be conducted following consummation of the Distribution; and (e) the excess of the fair value of aggregate assets of Fluor Corporation, before consummation of the Distribution, over the total identified liabilities (including contingent liabilities) of Fluor Corporation is equal to or exceeds the value of the Distribution to shareholders plus the stated capital of Fluor Corporation. The full text of the Solvency Opinion is set forth in Appendix C, and this summary is qualified in its entirety by reference to the text of such opinion.

In rendering its opinion, American Appraisal Associates valued the aggregate assets of Fluor Corporation, before consummation of the Distribution, and of each of New Fluor and Massey, after consummation of the Distribution, each on a consolidated basis and as a going concern. The valuation included the aggregate assets of Fluor Corporation's business enterprise (total invested capital excluding cash and equivalents) represented by the total net working capital, tangible plant, property and equipment, and intangible assets of the business enterprise before consummation of the Distribution, and that of New Fluor and Massey after consummation of the Distribution, each on a consolidated basis. American Appraisal Associates stated its belief that this is a reasonable basis to value each of Fluor Corporation, before, and New Fluor and Massey, after, consummation of the Distribution on a consolidated basis, and that nothing had come to its attention that caused it to believe that either New Fluor and/or Massey, on a consolidated basis, after giving effect to the Distribution, is not a going concern. For purposes of its opinion, the following terms have the meanings set forth below:

(1) "Fair value" means the amount at which the aggregate assets would change hands between a willing buyer and a willing seller, within a commercially reasonable period of time, each having reasonable knowledge of the relevant facts, neither being under any compulsion to act, with equity to both;

(2) "Present fair saleable value" means the amount that may be realized if the aggregate assets are sold with reasonable promptness in an arms-length transaction under present conditions in a current market for the sale of assets of a comparable business enterprise;
(3) "Contingent liabilities" means the maximum estimated amount of contingent liabilities, of a specified entity and time, which contingent liabilities were identified to American Appraisal Associates by responsible officers and employees of Fluor Corporation, their respective accountants and financial advisors, and such other experts as American Appraisal Associates deemed necessary to consult, and valued by American Appraisal Associates after consultation with responsible officers and employees of Fluor Corporation and/or such industry, economic and other experts as American Appraisal Associates deemed necessary to consult (the valuation of contingent liabilities to be computed in light of all the facts and circumstances existing at the time of such valuation as the maximum amount that can reasonably be expected to become an actual or matured liability), which contingent liabilities may not meet the criteria for accrual under Statement of Financial Accounting Standards No. 5 and therefore may not be recorded as liabilities under GAAP;

(4) "Able to pay its debts and other liabilities including contingent liabilities and other commitments, as they mature" means that assuming the Distribution has been consummated as proposed (and taking into consideration additional borrowing capacity under New Fluor's and Massey's borrowing facilities) during the period covered by the financial projections (the "Financial Projections") prepared by the managements of New Fluor and Massey, respectively, each of New Fluor and Massey will have positive cash flow after paying its scheduled anticipated indebtedness; the realization of current assets in the ordinary course of business will be sufficient to pay recurring current debt, short-term debt, long-term debt service and other contractual obligations, including contingent liabilities, as such obligations mature; and the cash flow will be sufficient to provide cash necessary to repay long-term indebtedness as such debt matures; and

(5) "Will not have unreasonably small capital for the businesses in which it is engaged" means that an entity will not lack sufficient capital for the needs and anticipated needs for capital of the business, including contingent liabilities, as the managements of New Fluor and Massey have indicated that their businesses are proposed to be conducted following the consummation of the Distribution.

The determination of the fair value and present fair saleable value of Fluor Corporation, before the consummation of the Distribution, and New Fluor and Massey after consummation of the Distribution was based on the generally accepted valuation principles used in the market and discounted cash flow approaches, described as follows:

Market Approach--Based on correlation of: (a) current stock market prices of publicly held companies whose businesses are similar to that of Fluor Corporation, New Fluor and Massey and premiums paid over market price by acquirers of total or controlling ownership in such businesses; and (b) acquisition prices paid for total ownership positions in businesses whose lines of business are similar to that of Fluor Corporation, New Fluor and Massey.

Discounted Cash Flow Approach--Based on the present value of Fluor Corporation's, New Fluor's and Massey's individual future debt-free operating cash flow as estimated by their respective managements, and contained in the Financial Projections. The present value is determined by discounting the projected operating cash flow at a rate of return that reflects the financial and business risks individually.

In the course of its investigation of contingent liabilities, certain areas brought to American Appraisal Associates attention by management of Fluor Corporation, New Fluor and Massey included: (1) contracts and commitments; (2) consents and approvals; (3) tax audit exposure; (4) environmental exposure; (5) employee benefits programs; and (6) various lawsuits and claims filed and/or pending.
Provisions for the ongoing expenses related to contingent liabilities, deemed to be material by the respective managements of Fluor Corporation, New Fluor and Massey, are included in the projections of income and expenses presented in the Financial Projections. American Appraisal Associates took these contingent liabilities into account in rendering its opinion and concluded that such liabilities do not require qualification of its opinion. American Appraisal Associates conclusion was based upon, among other things: (i) the opinion of the respective managements of Fluor Corporation, New Fluor and Massey that the issues concerning various lawsuits, claims and other identified contingent liabilities do not and are not reasonably likely to have a material adverse effect on their respective consolidated financial positions; and (ii) its discussions with respective managements of Fluor Corporation, New Fluor and Massey, their accountants, consultants and outside counsel concerning, and its investigation of, the contingent liabilities identified to it.

In preparing its opinion, American Appraisal Associates relied on the accuracy and completeness of all information supplied or otherwise made available to it by Fluor Corporation, and did not independently verify such information or undertake any physical inspection or independent appraisal of the assets or liabilities of Fluor Corporation. Such opinion was based on business, economic, market and other conditions existing on the date such opinion was rendered.

The Solvency Opinion is also based on, among other things, a review of the agreements relating to the Distribution, historical and pro forma financial information, certain business information and certain assumptions relating to Fluor Corporation, including that contained in this Proxy Statement, as well as certain financial forecasts and other data provided by Fluor Corporation relating to the businesses and prospects of New Fluor and Massey. American Appraisal Associates also conducted discussions with Fluor Corporation's management with respect to the businesses and prospects of New Fluor and Massey and conducted such financial studies, analyses and investigations as it deemed appropriate in rendering its opinion.

American Appraisal Associates was retained to render its opinion as to the solvency of Fluor Corporation, New Fluor and Massey because of its familiarity with the businesses and assets of Fluor Corporation and its qualifications and reputation in appraising and valuing companies.

Fluor Corporation will pay American Appraisal Associates fees of $90,000 for services rendered in connection with the Distribution, including services it has conducted to render its opinion.

THE DISTRIBUTION

Introduction

On June 8, 2000, Fluor Corporation announced a plan to separate New Fluor and Massey in a tax free distribution of New Fluor to the shareholders of Fluor Corporation. On October 26, 2000, the Fluor Corporation board of directors formally approved the Distribution. Each Fluor Corporation shareholder of record at the close of business on the date which will be fixed by the Fluor Corporation board of directors as the record date for the Distribution (the "Distribution Record Date") will receive one share of New Fluor Common Stock for every share of Fluor Corporation Common Stock held by such holder at the close of business on the Distribution Record Date. Fluor Corporation has applied for a tax ruling from the IRS that the receipt by Fluor Corporation shareholders of the New Fluor Common Stock in the Distribution will be tax-free to such shareholders and Fluor Corporation for federal income tax purposes. On the date on which the Fluor Corporation board of directors declares the
dividend that constitutes the Distribution (the "Distribution Date"), Fluor Corporation will deliver a global certificate representing all of the outstanding shares of New Fluor Common Stock to the Transfer Agent. As soon as practicable thereafter, the Transfer Agent will deliver the shares of New Fluor Common Stock to Fluor Corporation shareholders of record on the Distribution Record Date. If a Fluor Corporation shareholder sells or otherwise transfers shares of Fluor Corporation Common Stock between the Distribution Date and the time shares of New Fluor are delivered by the Transfer Agent, such selling or transferring shareholder generally will be required to assign to the purchaser or transferee the right to receive the shares of New Fluor Common Stock distributed on such transferred shares. Questions relating to the Distribution prior to the Distribution Date or relating to transfers of New Fluor Common Stock after the Distribution Date should be directed to: ChaseMellon Shareholder Services, L.L.C., P.O. Box 3315, South Hackensack, New Jersey 07606, telephone number: (800) 813-2847.

Form of Transaction

The Distribution is the method by which Fluor Corporation will be separated into two publicly traded companies, New Fluor and Massey. In the Distribution, Fluor Corporation will distribute to its shareholders shares of New Fluor Common Stock, which will represent a continuing interest in the New Fluor Business to be conducted by New Fluor. After the Distribution, Fluor Corporation's only business will be the Massey Business, and the shares of Fluor Corporation Common Stock held by Fluor Corporation shareholders will represent a continuing ownership interest only in that business. In connection with the Distribution, Fluor Corporation will change its name to "Massey Energy Company" (and therefore from and after the Distribution, Fluor Corporation Common Stock will be "Massey Common Stock"). Shareholders should note that notwithstanding the legal form of the Distribution described above whereby Fluor Corporation expects to spin off New Fluor, because of the relative significance of the New Fluor Business to Fluor Corporation, New Fluor will be treated as the "accounting successor" to Fluor Corporation for financial reporting purposes. Therefore, the historical financial information for New Fluor included in this Proxy Statement is that of Fluor Corporation. The historical financial information for Massey has been prepared on a stand-alone basis as described in Note 1 to the Massey Financial Statements included elsewhere in this Proxy Statement. Such historical financial information includes allocations of certain Fluor Corporation corporate headquarters assets, liabilities and expenses relating to Massey.

Manner of Effecting the Distribution

The Distribution will be made to shareholders of record of Fluor Corporation at the close of business on the Distribution Record Date. Based on the 75,744,873 shares of Fluor Corporation Common Stock outstanding as of October 26, 2000, assuming the purchase prior to the Distribution by Fluor Corporation of 1,850,000 shares of Fluor Corporation Common Stock pursuant to a forward purchase contract, the Distribution will consist of 73,894,873 shares of New Fluor Common Stock. On the Distribution Date, Fluor Corporation will deliver a global certificate representing all outstanding shares of New Fluor Common Stock to the Transfer Agent. As soon as practicable thereafter, the Transfer Agent will deliver to shareholders stock certificates representing shares of New Fluor Common Stock. Fluor Corporation shareholders will not be required to pay for shares of New Fluor Common Stock received in the Distribution, or to surrender or exchange certificates representing shares of Fluor Corporation Common Stock in order to receive credit for shares of New Fluor Common Stock.

IN ORDER TO BE ENTITLED TO RECEIVE SHARES OF NEW FLUOR COMMON STOCK IN THE DISTRIBUTION, FLUOR CORPORATION SHAREHOLDERS MUST BE SHAREHOLDERS AT THE CLOSE OF BUSINESS ON THE DISTRIBUTION RECORD DATE.

Federal Income Tax Consequences of the Distribution

The following discussion summarizes certain of the material U.S. federal
income tax consequences that should result from the Distribution. This discussion is based on provisions of the Code and the regulations promulgated thereunder, and on current administrative rulings and court decisions, all of which are subject to change.

Fluor Corporation has applied to the IRS for a ruling that the Distribution will qualify as a tax-free spin-off under Section 355 of the Code.

It is expected that the ruling, if issued, will provide, in part, that for U.S. federal income tax purposes:

. no gain or loss will be recognized by Fluor Corporation on the distribution of the stock of New Fluor to the shareholders of Fluor Corporation;

. no gain or loss will be recognized by (and no amount will be included in the income of) Fluor Corporation's shareholders on the Distribution;

. the aggregate basis of the New Fluor and Massey stock in the hands of the shareholders of Fluor Corporation immediately after the Distribution will equal the aggregate basis of their Fluor Corporation stock immediately before the Distribution, with such aggregate basis being allocated between the New Fluor and the Massey stock in proportion to their respective fair market values; and

. the holding period of the New Fluor stock received on the Distribution will include the holding period of the Fluor Corporation stock with respect to which the Distribution is made, provided that the Fluor Corporation stock is held as a capital asset on the date of the Distribution.

The receipt of a ruling from the IRS confirming these conclusions is a condition to the Distribution. Fluor Corporation believes, and has been advised by its tax advisor, Ernst & Young LLP, that the rulings requested are consistent with the requirements for a tax-free spin-off under Section 355 of the Code and the rules and regulations promulgated thereunder. However, there can be no assurance that the IRS will issue a favorable ruling.

The IRS ruling, if issued, will be based on certain representations that have been made by Fluor Corporation. The ruling may not be relied upon if those representations are incorrect or incomplete in a material respect. Fluor Corporation is not aware of any facts or circumstances that would cause those representations to be incorrect or incomplete in a material respect.

New Fluor and Massey will agree in the Tax Sharing Agreement on certain restrictions on their future actions to provide assurances that Section 355 of the Code will apply to the Distribution.

If the Distribution were not to qualify under Section 355 of the Code, then, in general, a corporate tax (which would be very substantial) would be payable by the consolidated group of which Fluor Corporation is the parent. This corporate tax would be based on the excess of the fair market value of the New Fluor stock at the time of the Distribution over Fluor Corporation's tax basis for such stock. Except under limited circumstances, the Tax Sharing Agreement allocates such corporate tax 60% to New Fluor and 40% to Massey. See the discussion in "Relationship Between New Fluor and Massey After the Distribution--Tax Sharing Agreement" and the discussion of Code Section 355(e) below. The corporate tax, if incurred, would have a material adverse effect on the financial position, operations and cash flow of New Fluor and/or Massey, depending upon which corporation or corporations bear the burden of the tax.

In addition, if the Distribution failed to qualify for tax-free treatment for the shareholders, each Fluor Corporation shareholder who receives the New Fluor stock in the Distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the New
Fluor stock received. That distribution would be taxable as a dividend to the extent of Fluor Corporation's current and accumulated earnings and profits (as increased to reflect Fluor Corporation's gain on a taxable Distribution as discussed above). If the amount of the Distribution exceeds Fluor Corporation's current and accumulated earnings and profits (as so increased), each shareholder's allocable share of such excess (based on the number of shares held) would generally be treated first as a non-taxable reduction in the tax basis of the shareholder's Fluor Corporation stock to the extent of such basis, and thereafter as short-term or long-term capital gain, provided that the Fluor Corporation stock were held by the shareholder as a capital asset on the date of the Distribution. Upon such a taxable distribution, the shareholder's tax basis in the New Fluor stock received in the Distribution would equal the fair market value of such stock on the date of the Distribution, and the shareholder's holding period for the shares of New Fluor stock would begin on the day after the date of the Distribution. Shareholders which are corporations may be subject to additional special provisions dealing with taxable distributions, such as the dividend received deduction and the extraordinary dividend rules. Such shareholders should consult their tax advisors with respect to such matters in the event that the Distribution fails to qualify for tax-free treatment under Section 355 of the Code.

Even if the Distribution otherwise qualifies for tax-free treatment under Section 355 of the Code, the Distribution may become taxable to Fluor Corporation pursuant to Section 355(e) of the Code if 50% or more of the stock of New Fluor or Massey (the renamed Fluor Corporation) is acquired, directly or indirectly, as part of a plan or series of related transactions that include the Distribution. For this purpose, acquisitions (including acquisitions which are neither planned nor accepted or recommended by the management of the company whose stock is acquired) of New Fluor's stock or Massey's stock within two years before or after the Distribution are presumed to be part of such a plan, although New Fluor or Massey may be able to rebut that presumption. If such an acquisition of New Fluor's stock or Massey's stock triggers the application of Section 355(e), Fluor Corporation would recognize taxable gain to the extent that the fair market value of New Fluor's stock at the time of the Distribution exceeds Fluor Corporation's tax basis for such stock. But the Distribution in such circumstances should generally remain tax-free to Fluor Corporation's shareholders. Under the Tax Sharing Agreement between New Fluor and Massey, Massey would be responsible for payment of the tax liability resulting from an acquisition of Massey's stock, and New Fluor would be required to reimburse Massey for the payment of the tax liability resulting from an acquisition of New Fluor's stock. Such tax liability would be substantial, and there is no assurance that New Fluor or Massey would be able to satisfy its obligation under the Tax Sharing Agreement.

U.S. Treasury regulations require each Fluor Corporation shareholder that receives shares of New Fluor stock in the Distribution to attach to the shareholder's U.S. federal income tax return for the year in which such stock is received a detailed statement setting forth such data as may be appropriate to show the applicability of Section 355 of the Code to the Distribution. Subsequent to the Distribution, Fluor Corporation will provide its shareholders who receive New Fluor stock pursuant to the Distribution with the information necessary to comply with such requirement.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE IS FOR GENERAL INFORMATION ONLY. THE SUMMARY DOES NOT ADDRESS THE EFFECTS OF ANY STATE, LOCAL OR FOREIGN TAX LAWS. MOREOVER, THE SUMMARY MAY NOT BE APPLICABLE TO CERTAIN FLUOR SHAREHOLDERS WHO, AMONG OTHER CIRCUMSTANCES, ARE EXEMPT FROM FEDERAL INCOME TAX OR WHO ARE NEITHER CITIZENS NOR RESIDENTS OF THE UNITED STATES. ACCORDINGLY, EACH FLUOR CORPORATION SHAREHOLDER SHOULD CONSULT HIS OR HER OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO SUCH SHAREHOLDER, INCLUDING THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS, AND POSSIBLE CHANGES IN TAX LAW THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.
Prior to the date hereof, there has not been any established trading market for New Fluor Common Stock. We have applied for listing of New Fluor Common Stock on the New York Stock Exchange under the symbol "FLR", and trading is expected to commence prior to the Distribution. We cannot provide any assurance as to the prices at which the New Fluor Common Stock will trade before, on or after the Distribution Date. Until the New Fluor Common Stock is fully distributed and an orderly market develops in the New Fluor Common Stock, the price at which it trades may fluctuate significantly and may be lower or higher than the price that would be expected for a fully distributed issue. Prices for the New Fluor Common Stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for New Fluor Common Stock, developments affecting the New Fluor Business generally and general economic and market conditions.

Shares of New Fluor Common Stock distributed to Fluor Corporation shareholders will be freely transferable, except for shares of New Fluor Common Stock received by persons who may be deemed to be "affiliates" of New Fluor under the Securities Act of 1933, as amended. Persons who may be deemed to be affiliates of New Fluor after the Distribution generally include individuals or entities that control, are controlled by, or are under common control with, New Fluor, and may include certain officers and directors of New Fluor, as well as principal shareholders of New Fluor. Persons who are affiliates of New Fluor will be permitted to sell their shares of New Fluor Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption for the registration requirements of the Securities Act, such as the exemption afforded by Section 4(1) of the Securities Act or Rule 144 thereunder.

Massey Common Stock (i.e., the "old" Fluor Corporation Common Stock) will continue to trade on the New York Stock Exchange after the Distribution, but the symbol under which it trades will change from "FLR" to "MEE." However, because of the significant changes that will take place as a result of the Distribution, the trading market for Massey Common Stock after the Distribution may be significantly different from that for Fluor Corporation Common Stock prior to the Distribution. The market may view Massey as a "new" company after the Distribution, and it may not be the subject of significant research analyst coverage. There can be no assurance as to the prices at which Massey Common Stock will trade before, on or after the Distribution Date and until an orderly market develops in the Massey Common Stock, the price at which it trades may fluctuate significantly. Prices for Massey Common Stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for Massey Common Stock, developments affecting the Massey Business and general economic and market conditions.

Financing

New Fluor. In connection with the Distribution, it is expected that New Fluor will put in place a commercial paper program supported by a bank credit agreement. Borrowings under these new facilities are expected to be approximately $400 million at the time of the Distribution.

Massey. Massey will retain the $300 million of outstanding 6.95% Senior Notes. In addition, it is expected that Massey will put in place a commercial paper program supported by a bank credit agreement. Borrowings under these new facilities are expected to be approximately $230 million at the time of the Distribution.

RELATIONSHIP BETWEEN NEW FLUOR AND MASSEY AFTER THE DISTRIBUTION

New Fluor is currently a wholly owned subsidiary of Fluor Corporation, and the results of operations of entities that are or will be its subsidiaries have been included in Fluor Corporation's consolidated financial results. After the Distribution, Fluor Corporation (which will change its name to "Massey Energy Company") will not have any ownership interest in New Fluor, and New Fluor will
be an independent public company. In addition, after the Distribution, New Fluor will not have any ownership interest in Massey, and Massey will be an independent public company.

Prior to the Distribution, Fluor Corporation and New Fluor will enter into certain agreements, described below, governing the relationship between Massey and New Fluor subsequent to the Distribution and providing for the allocation of tax, employee benefits and certain other liabilities and obligations arising from periods prior to the Distribution. In addition, there will be individuals on the Board of Directors of New Fluor and Massey who will also serve on the Board of Directors of the other company. See "Management of New Fluor -- New Fluor Board of Directors" and "Management of Massey -- Massey Board of Directors." Copies of the forms of the agreements entered into between New Fluor and Massey have been filed as exhibits to this Proxy Statement. These agreements may be amended by Fluor Corporation on or prior to the Distribution Date.

The following description summarizes certain terms of the agreements, but is qualified by reference to the text of the agreements, which are incorporated herein by reference.

Distribution Agreement

Fluor Corporation and New Fluor will enter into the Distribution Agreement providing for, among other things, certain corporate transactions required to effect the Distribution and other arrangements between Massey and New Fluor subsequent to the Distribution.

In particular, the Distribution Agreement defines the assets and liabilities which are being allocated to and assumed by New Fluor and those which will remain with Massey. The Distribution Agreement also defines what constitutes the "New Fluor Business" and what constitutes the "Massey Business."

Pursuant to the Distribution Agreement, Fluor Corporation is obligated to transfer or cause to be transferred all its right, title and interest in the assets comprising the New Fluor Business and other assets not specifically included in the Massey Business to New Fluor and New Fluor is obligated to transfer or cause to be transferred all its right, title and interest, if any, in the assets comprising the Massey Business to Fluor Corporation. All assets are being transferred without any representation or warranty, "as is-where is." Each party also agrees to exercise its respective commercially reasonable efforts promptly to obtain any necessary consents and approvals and to take such actions as may be reasonably necessary or desirable to carry out the purposes of the Distribution Agreement.

In general, pursuant to the terms of the Distribution Agreement, all assets of Fluor Corporation prior to the Distribution Date, other than those relating to the Massey Business, will become assets of New Fluor. The Distribution Agreement also provides for assumptions of liabilities and cross-indemnities designed to allocate generally, effective as of the Distribution Date, financial responsibility for all liabilities arising out of or in connection with the New Fluor Business to New Fluor and all liabilities arising out of or in connection with the Massey Business to Massey. In addition, New Fluor will assume responsibility for certain liabilities and expenses incurred by the parties in connection with the Distribution and will indemnify Massey for liabilities relating to past divestitures made by Fluor Corporation and for liabilities relating to certain litigation in which Fluor Corporation is involved. For a discussion of the respective businesses of New Fluor and Massey, see "Business of New Fluor" and "Business and Properties of Massey."

In the event that any transfers contemplated by the Distribution Agreement are not effected on or prior to the Distribution Date, the parties will be required to cooperate to effect such transfers as promptly as practicable.
following the Distribution Date, and pending any such transfers, to hold any asset not so transferred in trust for the use and benefit of the party entitled thereto (at the expense of the party entitled thereto), and to retain any liability not so transferred for the account of the party by whom such liability is to be assumed.

Under the Distribution Agreement, each of Fluor Corporation and New Fluor agrees to provide to the other party, subject to certain conditions, access to certain corporate records and information.

Massey maintains separate welfare and pension benefit plans for its employees and Fluor Corporation maintains separate welfare and pension plans for employees of the New Fluor Business. The assets of the pension benefit plans of both companies are held in a single master trust. Upon completion of the Distribution, the assets of the master trust will be partitioned into two separate trusts; one for the Massey pension benefit plans and one for the New Fluor pension benefit plans.

Sponsorship of those welfare and pension benefit plans which cover employees of the New Fluor Business will be transferred to New Fluor. Massey will indemnify New Fluor for any liabilities arising from the Massey welfare and pension benefit plans and New Fluor will indemnify Massey for any liabilities arising from the New Fluor welfare and pension benefit plans.

Tax Sharing Agreement

Effective as of the Distribution Date, New Fluor and Massey will enter into a Tax Sharing Agreement which will set forth each party's rights and obligations with respect to tax matters for periods before and after the Distribution Date.

Currently, Fluor Corporation and its subsidiaries file consolidated federal income tax returns separate from the consolidated federal income tax returns filed by A.T. Massey Coal Company, Inc. and its subsidiaries. A.T. Massey Coal Company, Inc. and its subsidiaries will join Fluor Corporation and its subsidiaries in a single consolidated federal income tax return for a portion of the year ending October 31, 2000, and also for a portion of the year ending October 31, 2001.

The Tax Sharing Agreement will provide that, if New Fluor and A.T. Massey Coal Company, Inc. and their subsidiaries are included in the same consolidated federal income tax return for the year ending October 31, 2001, Massey will be responsible for the tax that would have been incurred had New Fluor and its subsidiaries not been so included, and New Fluor will be responsible for the balance of the tax.

The Tax Sharing Agreement will detail New Fluor and Massey's responsibilities relating to tax payments and refunds, the filing of returns and the conduct of audits. The Tax Sharing Agreement also will provide for cooperation with respect to certain tax matters and for the exchange of information and retention of records which may affect the tax liability of either party.

The Tax Sharing Agreement will allocate the federal income tax liability which may arise if the Distribution of New Fluor's stock is found to be a taxable transaction. Generally, New Fluor will bear 60% of any such corporate tax liability and Massey will bear 40% at any such corporate tax liability, except where the liability is attributable to one party's breach of a covenant or to a change of ownership, as described in Section 355(e) of the Code, with respect to one party's stock. In any such event, the party that has breached the covenant or with respect to which the change of ownership has occurred will bear the entire corporate tax liability.

Since the Distribution will be implemented only following receipt of a favorable tax ruling, it is not anticipated that the IRS will challenge the
tax-free status of the Distribution unless the provisions of Section 355(e)
were to apply. See the discussion of Section 355(e) in "The Distribution--
Federal Income Tax Consequences of the Distribution."

Each corporation included as a member of a consolidated federal income tax
return group is jointly and severally liable for all of the federal income tax
associated with such return. Although the Tax Sharing Agreement will allocate
between the parties the tax liabilities with respect to consolidated returns
which include Fluor Corporation and A.T. Massey Coal Company, Inc., New Fluor
and Massey may each be liable for all of the federal income tax with respect to
such returns, if the party upon whom the Tax Sharing Agreement imposes
responsibility for all or a portion of such tax fails to discharge that
responsibility.

Although valid as between New Fluor and Massey, the Tax Sharing Agreement
will not be binding on the IRS or other taxing authorities.

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DIVIDEND POLICIES

Following the Distribution and in accordance with its past policies, New
Fluor intends to pay an overall annual cash dividend equal to approximately 30%
to 35% of New Fluor's long-term operating performance expectations. The
declaration of dividends by Massey will depend on a number of factors,
including future earnings, capital requirements, financial conditions and
future prospects. The payment and level of cash dividends by New Fluor and
Massey will be subject to the discretion of their respective boards of
directors.

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NEW FLUOR CORPORATION
(Accounting Successor to Fluor Corporation)

CAPITALIZATION

The following table sets forth the capitalization of Fluor Corporation as of
July 31, 2000:

on an actual basis

on an as adjusted basis to reflect (for financial reporting purposes):

The retention by Massey of $300 million of Senior Notes.

The transfer from Massey to New Fluor of $230 million, $131.0
million of which will be used to reduce Fluor Corporation's
commercial paper outstanding, and $99.0 million of which will be
used to settle Fluor Corporation's forward purchase contract to buy
back 1.85 million shares of its common stock.

The retirement of $25.5 million of Fluor Corporation commercial
paper held by Massey through issuance to third party investors.

The elimination of Fluor Corporation's net equity in Massey
resulting from the Distribution.

This information should be read in conjunction with Fluor Corporation's
Consolidated Financial Statements and Notes thereto and other information
contained elsewhere in this proxy statement. See "Cautionary Statements."

July 31, 2000
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<th>As Actual</th>
<th>Adjusted</th>
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<tr>
<td></td>
<td>(In thousands)</td>
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<tr>
<td>Short-term debt:</td>
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<td>Commercial paper</td>
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<td>Long-term debt</td>
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<td>Preferred-authorized 20,000,000 shares without par value, none issued</td>
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<td>Common-authorized 150,000,000 shares of $0.625 par value 75,669,076 issued and outstanding, historical, $0.01 par value 73,819,076 issued and outstanding, as adjusted (1)</td>
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<td>Additional capital</td>
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<td>Retained earnings</td>
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<td>Unamortized executive stock plan expense</td>
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<td>(21,712)</td>
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<td>Accumulated other comprehensive income</td>
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<td>Total shareholders' equity</td>
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(1) Excludes 6,383,822 shares of common stock issuable upon the exercise of options outstanding with a weighted average exercise price of $46 per share. 3,407,379 of these options are exercisable at July 31, 2000 and the balance are subject to future vesting requirements.

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FLUOR CORPORATION

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of Fluor Corporation have been derived from the consolidated financial statements of Fluor Corporation, which financial statements as of and for each of the five years ending October 31, 1999, (not presented separately herein as to 1995 and 1996) have been audited by Ernst & Young LLP, independent auditors. The selected financial data as of and for the nine month periods ending July 31, 1999 and 2000 are unaudited and have been derived from the unaudited interim financial statements of Fluor Corporation contained elsewhere in this Proxy Statement. The unaudited financial data includes adjustments that management considers necessary for a fair presentation of this data in accordance with generally accepted accounting principles. The consolidated statement of earnings data for the nine months ended July 31, 2000 are not necessarily indicative of the results to be expected for the full fiscal year ended October 31, 2000 or any future period. Also, the consolidated selected financial data does not reflect the separation of New Fluor and Massey that will occur through the Distribution. The information in the following table should be read in conjunction with "Fluor Corporation Management's Discussion and Analysis of Financial Condition and Results of Operations," "New Fluor Corporation Unaudited Consolidated Pro Forma Financial Statements" and Fluor Corporation's Consolidated Financial Statements and Notes thereto included elsewhere in this Proxy Statement.
CONSOLIDATED STATEMENTS OF EARNINGS DATA:

Revenues................................. $ 9,301.4 $11,015.2 $14,298.5 $13,504.8 $12,417.4 $9,544.8 $8,458.9
Earnings before taxes..................... 362.2 413.2 255.3 362.6 185.7 83.9 194.4
Net earnings.............................. 231.8 268.1 146.2 235.3 104.2 28.3 136.6
Basic earnings per share.................. 2.82 3.24 1.76 2.99 1.38 0.38 1.81
Diluted earnings per share............... 2.81 3.21 1.75 2.97 1.37 0.37 1.79
Return on average shareholders' equity... 17.6% 17.4% 8.7% 14.5% 6.8% 6.1% 13.3%
Cash dividends per common share.......... $ 0.60 $ 0.68 $ 0.76 $ 0.80 $ 0.80 $ 0.60 $ 0.75

CONSOLIDATED BALANCE SHEET DATA:

Current assets............................ $ 1,412.6 $ 1,796.8 $ 2,213.4 $ 2,277.2 $ 1,910.2 $2,034.0 $1,823.2
Current liabilities......................... 1,238.6 1,645.5 1,978.2 2,495.6 2,204.3 2,304.3 2,094.8
Total assets.............................. 3,228.9 3,951.7 4,685.3 5,019.2 4,886.1 4,897.8 4,876.6
Total liabilities......................... 1,238.6 1,645.5 1,978.2 2,495.6 2,204.3 2,304.3 2,094.8
Total capitalization...................... $ 1,494.5 $ 1,306.2 $ 1,707.1 $ 2,523.6 $ 2,681.8 $2,593.5 $2,782.8
Shareholders' equity...................... 1,430.8 1,669.7 1,741.1 1,525.6 1,581.4 1,514.3 1,645.9

Common shares outstanding at period end.. 83.2 83.8 83.7 75.6 76.0 75.9 75.7
Cash provided by operating activities.... 366.4 406.9 328.6 702.5 464.9 304.5 90.3

(1) In March 1999, Fluor Corporation announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization Fluor Corporation recorded a pre-tax charge of $136.5 million to cover direct and other reorganization related costs. In October 1999 and April 2000, Fluor Corporation reversed into earnings $19.3 million and $17.9 million, respectively, due to changes in Fluor Corporation's reorganization plans.

(2) Includes commercial paper, loan notes, a note payable to affiliate, miscellaneous trade notes payable and the current portion of long-term debt.

NEW FLUOR CORPORATION
(Accounting successor to Fluor Corporation)

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma financial statements have been prepared giving effect to the Distribution and related transactions as if it occurred on July 31, 2000 for the unaudited pro forma balance sheet and as of November 1 of the respective periods for the unaudited pro forma statements of earnings for the years ended October 31, 1999, 1998 and 1997 and nine months ended July 31, 2000. The pro forma balance sheet and statements of earnings set forth below do not purport to represent what New Fluor's financial position actually would have been had the Distribution occurred on the dates indicated or to project New Fluor's operating results for any future period. The pro forma adjustments are based upon available information and certain assumptions that Fluor Corporation management believes are reasonable. The unaudited pro forma financial statements set forth below should be read in conjunction with, and are qualified in their entirety by, the information under "Fluor Corporation Selected Consolidated Financial Data," "Fluor Corporation Management's Discussion and Analysis of Financial Condition and Results of Operations" and Fluor Corporation's Consolidated Financial Statements and Notes thereto included elsewhere in this Proxy Statement.

UNAUDITED PRO FORMA STATEMENT OF EARNINGS
<table>
<thead>
<tr>
<th></th>
<th>Fluor</th>
<th>Massey</th>
<th>Pro Forma</th>
<th>Pro Forma (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Historical</td>
<td>Historical</td>
<td>Adjustments</td>
<td>Pro Forma (1)</td>
</tr>
<tr>
<td></td>
<td>(in millions, except share and per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$12,417.4</td>
<td>$(1,076.1)</td>
<td>$11,341.3</td>
<td></td>
</tr>
<tr>
<td>Costs and expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>12,026.7</td>
<td>(936.7)</td>
<td>11,090.0</td>
<td></td>
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<tr>
<td>Special provision</td>
<td>117.2</td>
<td></td>
<td>117.2</td>
<td></td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>55.3</td>
<td></td>
<td>55.3</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>(18.4)</td>
<td>14.4</td>
<td>(12.8) (2)</td>
<td>(16.8)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>50.9</td>
<td>(0.8)</td>
<td>(6.6) (3)</td>
<td>22.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(20.9) (4)</td>
<td></td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>12,231.7</td>
<td>(923.1)</td>
<td>11,268.3</td>
<td></td>
</tr>
<tr>
<td>Earnings before taxes</td>
<td>185.7</td>
<td>(153.0)</td>
<td>73.0</td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>81.5</td>
<td>(49.6)</td>
<td>14.1 (5)</td>
<td>49.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.3 (6)</td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>$104.2</td>
<td>$(103.4)</td>
<td>$23.7</td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$1.38</td>
<td></td>
<td>$0.32</td>
<td></td>
</tr>
<tr>
<td>Diluted</td>
<td>$1.37</td>
<td></td>
<td>$0.32</td>
<td></td>
</tr>
<tr>
<td>Shares used to calculate earnings per share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>75,228</td>
<td>(1,850) (7)</td>
<td>73,378</td>
<td></td>
</tr>
<tr>
<td>Diluted</td>
<td>75,929</td>
<td>(601) (8)</td>
<td>73,478</td>
<td></td>
</tr>
</tbody>
</table>

(1) Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs have not been reflected in the consolidated pro forma financial statements.

(2) Represents the elimination of interest income earned by Massey on its intercompany loans to Fluor Corporation and investment in Fluor Corporation commercial paper.

(3) Reduced interest expense arising from the repayment of $131.0 million of commercial paper at a weighted average effective interest rate of 5 percent.

(4) Reduced interest expense arising from the elimination of $300 million of Senior Notes at 6.95% that will remain with Massey. See "The Distribution--Financing."

(5) The impact of the pretax pro forma adjustments on income tax expense, at the federal statutory tax rate of 35 percent.

(6) Reversal of the tax benefit of the operating losses and tax credits of Appalachian Synfuel, LLC due to the Distribution.

(7) Represents a reduction in the number of shares outstanding resulting from Fluor Corporation's anticipated buyback of 1.85 million shares of its common stock upon the settlement of its forward purchase contract in connection with the completion of the Distribution.

(8) The elimination of dilutive shares associated with the Fluor Corporation forward purchase contract and Massey employee stock options.
### Unaudited Pro Forma Statement of Earnings

#### Year Ended October 31, 1998

<table>
<thead>
<tr>
<th></th>
<th>Fluor Historical</th>
<th>Massey Historical</th>
<th>Pro Forma Adjustments</th>
<th>Pro Forma (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>$13,504.8</td>
<td>$(1,121.1)</td>
<td></td>
<td>$12,383.7</td>
</tr>
<tr>
<td><strong>Costs and expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>13,095.4</td>
<td>(951.0)</td>
<td></td>
<td>12,144.4</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>22.6</td>
<td></td>
<td></td>
<td>22.6</td>
</tr>
<tr>
<td>Interest income</td>
<td>(21.1)</td>
<td>16.1</td>
<td>(14.2) (2)</td>
<td>(19.2)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>45.3</td>
<td>(0.5)</td>
<td>(7.9) (3)</td>
<td>16.0</td>
</tr>
<tr>
<td></td>
<td>(20.9) (4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total costs and expenses</strong></td>
<td>13,142.2</td>
<td>(935.4)</td>
<td></td>
<td>12,163.8</td>
</tr>
<tr>
<td><strong>Earnings before taxes</strong></td>
<td>362.6</td>
<td>(185.7)</td>
<td></td>
<td>219.9</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>127.3</td>
<td>(57.4)</td>
<td>16.8 (5)</td>
<td>87.7</td>
</tr>
<tr>
<td></td>
<td>(4.5) (6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>$235.3</td>
<td>$(128.3)</td>
<td>$132.2</td>
<td></td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$2.99</td>
<td></td>
<td>$1.72</td>
<td></td>
</tr>
<tr>
<td>Diluted</td>
<td>$2.97</td>
<td></td>
<td>$1.71</td>
<td></td>
</tr>
<tr>
<td><strong>Shares used to calculate earnings per share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>78,801</td>
<td>(1,850) (7)</td>
<td>76,951</td>
<td></td>
</tr>
<tr>
<td>Diluted</td>
<td>79,135</td>
<td>(1,850) (7)</td>
<td>77,175</td>
<td></td>
</tr>
</tbody>
</table>

(1) Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs have not been reflected in the consolidated pro forma financial statements.

(2) Represents the elimination of interest income earned by Massey on its intercompany loans to Fluor Corporation and investment in Fluor Corporation commercial paper.

(3) Reduced interest expense arising from the repayment of $131.0 million of commercial paper at a weighted average effective interest rate of 6 percent.

(4) Reduced interest expense arising from the elimination of $300 million of Senior Notes at 6.95% that will remain with Massey. See "The Distribution--Financing."

(5) The impact of the pretax pro forma adjustments on income tax expense, at the combined federal/state net statutory tax rate of 39 percent.
(6) Reversal of the tax benefit of the operating losses of Appalachian Synfuel, LLC due to the Distribution.

(7) Represents a reduction in the number of shares outstanding resulting from Fluor Corporation's anticipated buyback of 1.85 million shares of its common stock upon the settlement of its forward purchase contract in connection with the completion of the Distribution.

(8) The elimination of dilutive shares associated with the Fluor Corporation forward purchase contract and Massey employee stock options.

NEW FLUOR CORPORATION
(Accounting Successor to Fluor Corporation)

UNAUDITED PRO FORMA STATEMENT OF EARNINGS

Year Ended October 31, 1997

<table>
<thead>
<tr>
<th>Fluor Historical</th>
<th>Massey Historical</th>
<th>Adjustments</th>
<th>Pro Forma (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions, except share and per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>$14,298.5</th>
<th>$(1,077.9)</th>
<th>$13,220.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs and expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>14,022.6</td>
<td>(923.2)</td>
<td>13,099.4</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>13.2</td>
<td></td>
<td>13.2</td>
</tr>
<tr>
<td>Interest income</td>
<td>(23.3)</td>
<td>17.6</td>
<td>(21.5)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>30.7</td>
<td>(0.5)</td>
<td>9.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total costs and expenses</th>
<th>14,043.2</th>
<th>(906.1)</th>
<th>13,100.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before taxes</td>
<td>255.3</td>
<td>(171.8)</td>
<td>119.7</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>109.1</td>
<td>(52.8)</td>
<td>70.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net earnings</th>
<th>$146.2</th>
<th>$(119.0)</th>
<th>$49.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>$1.76</td>
<td>$0.61</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$1.75</td>
<td>$0.60</td>
<td></td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shares used to calculate earnings per share (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
</tr>
<tr>
<td>Diluted</td>
</tr>
</tbody>
</table>

(1) Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs have not been reflected in the consolidated pro forma financial statements.
2. Represents the elimination of interest income earned by Massey on its intercompany loans to Fluor Corporation and investment in Fluor Corporation commercial paper.

3. Reduced interest expense arising from the repayment of $131.0 million of short-term borrowings at a weighted average effective interest rate of 6.25 percent.

4. Reduced interest expense arising from the elimination at the date of issue of $300 million of Senior Notes at 6.95% that will remain with Massey. See "The Distribution--Financing."

5. The impact of the pretax pro forma adjustments on income tax expense, at the combined federal/state net statutory tax rate of 39 percent.

6. Represents a reduction in the number of shares outstanding resulting from Fluor Corporation's anticipated buyback of 1.85 million shares of its common stock upon the settlement of its forward purchase contract in connection with the completion of the Distribution.

7. The elimination of dilutive shares associated with Massey employee stock options.

<table>
<thead>
<tr>
<th></th>
<th>Fluor</th>
<th>Massey</th>
<th>Pro Forma Adjustments</th>
<th>Pro Forma (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions, except share and per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues .................</td>
<td>$8,458.9</td>
<td>$(792.5)</td>
<td></td>
<td>$ 7,666.4</td>
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<tr>
<td>Costs and expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues ..........</td>
<td>8,207.7</td>
<td>(696.9)</td>
<td></td>
<td>7,510.8</td>
</tr>
<tr>
<td>Special provision ........</td>
<td>(17.9)</td>
<td></td>
<td>(17.9)</td>
<td></td>
</tr>
<tr>
<td>Corporate administrative and general expense.........</td>
<td>45.3</td>
<td></td>
<td>45.3</td>
<td></td>
</tr>
<tr>
<td>Interest income ..........</td>
<td>(14.5)</td>
<td>19.8</td>
<td>(12.9)(2)</td>
<td>(7.6)</td>
</tr>
<tr>
<td>Interest expense ..........</td>
<td>43.9</td>
<td>(0.2)</td>
<td>(5.9)(3)</td>
<td>22.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(15.6)(4)</td>
<td></td>
</tr>
<tr>
<td>Total costs and expenses..</td>
<td>8,264.5</td>
<td>(677.3)</td>
<td></td>
<td>7,552.8</td>
</tr>
<tr>
<td>Earnings before taxes ....</td>
<td>194.4</td>
<td>(115.2)</td>
<td></td>
<td>113.6</td>
</tr>
<tr>
<td>Income tax expense .......</td>
<td>57.8</td>
<td>(38.1)</td>
<td>12.0 (5)</td>
<td>35.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.1 (6)</td>
<td></td>
</tr>
<tr>
<td>Net earnings .............</td>
<td>$ 136.6</td>
<td>$(77.1)</td>
<td></td>
<td>$ 77.8</td>
</tr>
<tr>
<td>Earnings per share .......</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic ....................</td>
<td>$ 1.81</td>
<td></td>
<td></td>
<td>$ 1.06</td>
</tr>
<tr>
<td>Diluted ...................</td>
<td>$ 1.79</td>
<td></td>
<td></td>
<td>$ 1.06</td>
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</table>

Shares used to calculate earnings per share--
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>75,340</td>
<td>76,345</td>
</tr>
<tr>
<td></td>
<td>(1,850)(7)</td>
<td>(940)(8)</td>
</tr>
<tr>
<td></td>
<td>73,490</td>
<td>73,555</td>
</tr>
</tbody>
</table>

---

(1) Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs have not been reflected in the consolidated pro forma financial statements.

(2) Represents the elimination of interest income earned by Massey on its intercompany loans to Fluor Corporation and investment in Fluor Corporation commercial paper.

(3) Reduced interest expense arising from the repayment of $131.0 million of commercial paper at a weighted average effective interest rate of 6 percent.

(4) Reduced interest expense arising from the elimination of $300 million of Senior Notes at 6.95% that will remain with Massey. See "The Distribution--Financing."

(5) The impact of the pretax pro forma adjustments on income tax expense, at the federal statutory tax rate of 35 percent.

(6) Reversal of the tax benefit of the operating losses and tax credits of Appalachian Synfuel, LLC due to the Distribution.

(7) Represents a reduction in the number of shares outstanding resulting from Fluor Corporation's anticipated buyback of 1.85 million shares of its common stock upon the settlement of its forward purchase contract in connection with the completion of the Distribution.

(8) The elimination of dilutive shares associated with the Fluor Corporation forward purchase contract and Massey employee stock options.

NEW FLUOR CORPORATION
(Accounting Successor to Fluor Corporation)

UNAUDITED PRO FORMA BALANCE SHEET

As of July 31, 2000

<table>
<thead>
<tr>
<th></th>
<th>Fluor Historical</th>
<th>Massey Historical</th>
<th>Pro Forma Adjustments</th>
<th>Pro Forma (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$105.6 (in millions)</td>
<td>$5.1</td>
<td>$100.5</td>
<td>$105.6 (in millions)</td>
</tr>
<tr>
<td>Current Assets</td>
<td>826.7 (in millions)</td>
<td>168.2</td>
<td>658.5</td>
<td>826.7 (in millions)</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>449.5</td>
<td></td>
<td>449.5</td>
<td>449.5</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>126.1 (in millions)</td>
<td>7.5</td>
<td>118.6</td>
<td>126.1 (in millions)</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>315.3 (in millions)</td>
<td>145.1</td>
<td>170.2</td>
<td>315.3 (in millions)</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,823.2 (in millions)</td>
<td>325.9</td>
<td>1,497.3</td>
<td>1,823.2 (in millions)</td>
</tr>
<tr>
<td>Net property, plant and equipment</td>
<td>2,314.8 (in millions)</td>
<td>1,548.6</td>
<td>766.2</td>
<td>2,314.8 (in millions)</td>
</tr>
<tr>
<td>Investments and goodwill</td>
<td>238.4</td>
<td></td>
<td>238.4</td>
<td>238.4</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>500.2 (in millions)</td>
<td>212.2</td>
<td>311.3</td>
<td>500.2 (in millions)</td>
</tr>
<tr>
<td>Other</td>
<td>25.5 (4)</td>
<td></td>
<td>25.5 (4)</td>
<td>25.5 (4)</td>
</tr>
<tr>
<td>Total</td>
<td>4,876.6 (in millions)</td>
<td>2,086.7</td>
<td>2,878.3</td>
<td>4,876.6 (in millions)</td>
</tr>
</tbody>
</table>

---
### Liabilities and Shareholders' Equity

#### Current Liabilities

<table>
<thead>
<tr>
<th>Item</th>
<th>2000</th>
<th>Change</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts payable</td>
<td>$709.8</td>
<td>($111.7)</td>
<td>$598.1</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>425.5</td>
<td>(4) 320.0</td>
<td></td>
</tr>
<tr>
<td>Advance billings on contracts</td>
<td>443.9</td>
<td></td>
<td>443.9</td>
</tr>
<tr>
<td>Accrued salaries, wages and benefit plans</td>
<td>274.8</td>
<td>(22.9)</td>
<td>251.9</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>240.8</td>
<td>(8.7) (3)</td>
<td>169.1</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>2,094.8</td>
<td>(197.6)</td>
<td>1,783.0</td>
</tr>
</tbody>
</table>

#### Long-term debt due after one year

<table>
<thead>
<tr>
<th>Item</th>
<th>2000</th>
<th>Change</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred taxes</td>
<td>317.6</td>
<td>(3) 17.6</td>
<td></td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>182.3</td>
<td>(247.4)</td>
<td>65.1</td>
</tr>
<tr>
<td><strong>Total long-term debt due after one year</strong></td>
<td>499.9</td>
<td>(232.5)</td>
<td>82.1</td>
</tr>
</tbody>
</table>

#### Shareholders' Equity

<table>
<thead>
<tr>
<th>Item</th>
<th>2000</th>
<th>Change</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>47.3</td>
<td>(46.6) (6)</td>
<td>0.7</td>
</tr>
<tr>
<td>Additional capital</td>
<td>210.2</td>
<td>(99.0) (5)</td>
<td>157.8</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,454.9</td>
<td>(230.0) (5)</td>
<td>595.9</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>1,645.9</td>
<td>(1,391.1) (6)</td>
<td>692.3</td>
</tr>
</tbody>
</table>

**Unamortized executive stock plan expense**

| Item                                                     | 26.1   | (21.7)         |

**Accumulated other comprehensive income**

| Item                                                     | 40.4   | (40.4)         |

**Net investment by Fluor Corporation**

| Item                                                     | (1,391.1)| (1,391.1) (6) |        |

**Total shareholders' equity**

| Item                                                     | 1,645.9 | (1,391.1) (6) | 692.3  |

| Item                                                     | 4,876.6 | ($2,086.7)    | $2,878.3|

---

1. Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs have not been reflected in the consolidated pro forma financial statements.

2. Reclassification of remaining deferred tax balance to the appropriate balance sheet category.

3. Represents the elimination of the $300 million of Fluor Corporation 6.95% Senior Notes due March 1, 2007 and related accrued interest. Following the Distribution the Notes will become an obligation of Massey.

4. Fluor Corporation commercial paper held by Massey that will be retired at the time of the Distribution. Such amount will be funded by Fluor Corporation through the issuance of commercial paper to third party investors.

5. At the effective time of the Distribution, Massey will issue approximately $230 million of commercial paper, the proceeds of which will be transferred to Fluor Corporation to repay existing Fluor Corporation indebtedness, primarily commercial paper ($131.0 million), and to settle Fluor Corporation's forward purchase contract to buy back 1.85 million shares of its common stock ($99.0 million). See "The Distribution--Financing."

6. Adjustment of shareholders' equity balances to reflect the capital structure of Fluor Corporation.

7. To eliminate restricted stock held by Massey employees.
The following discussion and analysis is provided to increase understanding of, and should be read in conjunction with, the condensed consolidated financial statements and accompanying notes and Fluor Corporation’s annual financial statements and the related management’s discussion and analysis thereof contained elsewhere in this Proxy Statement. For purposes of reviewing this document "operating profit" is calculated as revenues less cost of revenues excluding: special provision; corporate administrative and general expense; interest expense; interest income; domestic and foreign income taxes; gain or loss on discontinued operations; the cumulative effect of a change in accounting principles; and certain other miscellaneous non-operating income and expense items which are immaterial.

In this Proxy Statement, "Fluor Corporation" refers to Fluor Corporation on or prior to the Distribution Date, "New Fluor" refers to the newly created entity named Fluor Corporation whose shares are being distributed to shareholders in the Distribution, and "Massey" refers to A.T. Massey Coal Company, Inc., a subsidiary of Fluor Corporation prior to the Distribution, and to Fluor Corporation following the Distribution Date, which will change its name to Massey Energy Company.

Results of Operations

Revenues for the nine month period ended July 31, 2000 decreased 11 percent compared with the same period of 1999. Net earnings for the nine month period ended July 31, 2000 were $136.6 million, compared with net earnings of $28.3 million for the same period of 1999. The 1999 net earnings include the effect of a $136.5 million pretax special provision ($119.8 million after tax, or $1.59 per diluted share). The special provision is not allocated to Fluor Corporation’s business segments. Operating results for the nine months ended July 31, 2000 were impacted by several nonrecurring transactions. Nonrecurring credits of $12.0 million were recorded which related to the recovery of excise taxes paid on coal export sales by the Coal segment plus related interest of $5.3 million. The taxes were determined to be unconstitutional by a 1998 federal district court decision and the Internal Revenue Service has recently issued procedures for obtaining refunds of the excise taxes. Additionally, $17.9 million of the special provision recorded in 1999 was reversed into earnings as a result of Fluor Corporation’s decision to retain ownership and remain in its current office location in Camberley, U.K. Lastly, the Fluor Global Services segment recorded a nonrecurring charge in the amount of $19.3 million relating to the write-off of certain assets and the loss on the sale of a European-based consulting business. Excluding all nonrecurring items, net earnings from operations for the nine months ended July 31, 2000 were $125.8 million ($1.65 per diluted share), compared with $148.1 million ($1.96 per diluted share) for the 1999 period. As discussed in greater detail in the following section, the Fluor Daniel segment has recorded significant provisions for cost overruns on one project during 2000 and for process design problems on another project during 1999.

Fluor Daniel

Revenues and operating profit for the Fluor Daniel segment for the nine month periods ended July 31, 1999 and 2000 are summarized as follows:

<table>
<thead>
<tr>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td></td>
</tr>
<tr>
<td>Revenues..................</td>
<td>$6,598.2</td>
</tr>
<tr>
<td>Operating profit........</td>
<td>$128.2</td>
</tr>
</tbody>
</table>

Revenues declined by 17 percent for the nine months ended July 31, 2000 compared with the same period of 1999, primarily due to a reduction in work performed which is consistent with the downward trend in new awards experienced during 1999 and 1998.
During the nine months ended July 31, 2000, Fluor Daniel recorded a provision of $60 million, representing its equal share of cost overruns on a Duke/Fluor Daniel lump sum power project in Dearborn, Michigan. Duke/Fluor Daniel is a joint-venture partnership between Duke Energy and Fluor Daniel. The Dearborn project has been impacted by a number of adverse factors, including labor productivity and substantial scope of work changes.

Operating profit for the nine months ended July 31, 1999 included a provision totaling $64 million for process design problems on the Murrin Murrin nickel cobalt project in Western Australia. Fluor Daniel anticipates recovering a portion of that amount and, accordingly, recorded $44 million in potential insurance recoveries during the same period. The result was a negative $20 million impact for the 1999 nine month period. Partially offsetting this was the recognition of $10 million of earnings from a project in Indonesia. Realization of these earnings had been in question primarily due to the uncertainty of collection of certain progress billings. The collection of the billings combined with the resolution of other normal project completion contingencies during the 1999 period, resulted in recognition of project earnings in accordance with contract accounting principles. Expressed as percentages of revenues, operating margins were 1.5 percent for the nine month period ended July 31, 2000, compared with 1.9 percent for the comparable period of 1999. Excluding the loss provisions and recoveries discussed above, operating margin has increased to 2.6 percent for the nine months ended July 31, 2000, compared with 2.1 percent during the corresponding 1999 period. This increase has resulted from improvements in both overhead cost management and project margins during 2000.

New awards for the nine months ended July 31, 2000 and 1999 were $4.1 billion and $3.9 billion, respectively. Approximately 48 percent of the new awards for the nine months ended July 31, 2000 were for projects located outside of the United States. The increase in 2000 new awards compared with 1999 reflects substantial new awards in the Mining business unit, partially offset by lower new awards due to deferred capital spending in the chemicals industry.

The following table sets forth backlog for each of the segment's business units:

<table>
<thead>
<tr>
<th>Segment</th>
<th>July 31, 1999 (in millions)</th>
<th>October 31, 1999 (in millions)</th>
<th>July 31, 2000 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals &amp; Life Sciences</td>
<td>$2,292</td>
<td>$1,964</td>
<td>$1,159</td>
</tr>
<tr>
<td>Oil, Gas &amp; Power</td>
<td>$2,530</td>
<td>$2,583</td>
<td>$2,825</td>
</tr>
<tr>
<td>Mining</td>
<td>$716</td>
<td>$657</td>
<td>$1,002</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$1,282</td>
<td>$1,170</td>
<td>$865</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$435</td>
<td>$396</td>
<td>$382</td>
</tr>
<tr>
<td>Total backlog</td>
<td>$7,255</td>
<td>$6,770</td>
<td>$6,233</td>
</tr>
<tr>
<td>United States</td>
<td>$3,032</td>
<td>$2,870</td>
<td>$2,939</td>
</tr>
<tr>
<td>International</td>
<td>$4,223</td>
<td>$3,900</td>
<td>$3,294</td>
</tr>
<tr>
<td>Total backlog</td>
<td>$7,255</td>
<td>$6,770</td>
<td>$6,233</td>
</tr>
</tbody>
</table>

The decrease in total backlog compared with July 31, 1999 is consistent with the reduced levels of new awards in the prior two years, reflecting both the
Fluor Corporation's continuing emphasis on greater project selectivity. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

Fluor Global Services

Revenues and operating profit for the Fluor Global Services segment for the nine month periods ended July 31, 1999 and 2000 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions)</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$2,152.3</td>
<td>$2,203.6</td>
</tr>
<tr>
<td>Operating profit</td>
<td>$56.4</td>
<td>$71.4</td>
</tr>
</tbody>
</table>

Revenues increased by 2 percent for the nine month period ended July 31, 2000 compared with the same period of 1999. Revenue gains by the Telecommunications and Operations & Maintenance business units during 2000 have more than offset declines experienced by the other business units.

Operating profits have increased as the result of both higher project gross margins and reductions in overhead. Operating profit for the nine months ended July 31, 2000 includes a $19.3 million charge relating to the write-off of certain assets and a loss on the sale of a European-based consulting business. Excluding this 2000 impact, operating profit for the nine month period ended July 31, 2000 increased to $90.7 million from $56.4 million in the comparable period of 1999.

New awards for the nine months ended July 31, 2000 and 1999 were $2.2 billion and $1.1 billion, respectively. Approximately 24 percent of the new awards for the nine months ended July 31, 2000 were for projects located outside of the United States. The increase in new awards during 2000 compared with 1999 is due to higher Telecommunications and Operations & Maintenance awards.

The following table sets forth backlog for each of the segment's business units:

<table>
<thead>
<tr>
<th>July 31, October 31, July 31,</th>
<th>1999</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fluor Federal Services</td>
<td>$326</td>
<td>$710</td>
<td>$178</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>585</td>
<td>525</td>
<td>1,017</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>945</td>
<td>1,127</td>
<td>1,363</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Total backlog</td>
<td>$1,870</td>
<td>$2,372</td>
<td>$2,559</td>
</tr>
</tbody>
</table>

| United States                | $1,657| $2,137| $1,984|
| International                | 213   | 235   | 575  |
| Total backlog                | $1,870| $2,372| $2,559|
The increase in total backlog is consistent with the growth in new awards. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

Coal

Revenues and operating profit for the Coal segment for the nine month periods ended July 31, 1999 and 2000 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$794.3</td>
<td>$797.3</td>
</tr>
<tr>
<td>Operating profit</td>
<td>$104.1</td>
<td>$101.5</td>
</tr>
</tbody>
</table>

Revenues have remained essentially flat for the nine month period ended July 31, 2000 compared with the same period of 1999. The volume of steam coal sold has increased significantly during the current year (17 percent for the first nine months of 2000 compared with 1999). The volume of the higher priced metallurgical coal has decreased by 6 percent during that same period. The average realized prices for both steam and metallurgical coal have declined during the current year, by 6 percent for both types of coal compared with the same period in 1999. The metallurgical coal market continues to be adversely affected by a weak coal export market and the slow recovery of the domestic steel market. Demand is weak for U.S. coal exported to foreign markets as the U.S. dollar remains strong. The market for steam coal, which is used to fire electric-generating plants, continues to be adversely impacted by high customer inventory levels resulting from recent mild weather and competition from western coals, which is increasing its penetration of the traditional eastern coal market areas.

Operating profit for the nine months ended July 31, 2000 includes a $12.0 million credit for excise taxes paid on coal export sales tonnage. The payment of excise taxes on export coal was determined to be unconstitutional by a 1998 federal district court decision and the Internal Revenue Service recently issued procedures for obtaining refunds related to such excise taxes.

Cost of sales on a per ton of coal sold basis, excluding the excise tax credit, increased by approximately 1 percent during the nine months ended July 31, 2000 compared with the same period of 1999. The Coal segment has experienced recent operational problems and encountered adverse geologic conditions at several mines which have resulted in material increases in the cost per ton of coal sold. Such increases more than offset the cost reductions that had been achieved during the nine months ended July 31, 2000. Indirect costs (which include depreciation, depletion and amortization and administrative expenses) declined by 1 percent during the first nine months of 2000 compared with the same period of 1999 as the result of lower administrative expenses, due in part to reduced accruals related to long term executive compensation plans.

Partially offsetting the impact of operational problems on operating profit has been an increase in gains from the sale or exchange of coal reserves in place. As the Coal segment manages its coal reserves, it regularly sells or exchanges non-strategic reserves for reserves located in more synergistic locations. During the first nine months of 2000, the Coal segment realized...
gains of $26.5 million from such transactions, compared with gains of $10.2 million during the first nine months of 1999.

The geologic conditions encountered at one mine during the nine months ended July 31, 2000 may necessitate a charge of up to $10 million during the final quarter of 2000, depending on an evaluation of mining conditions and the resulting recoverability of mine development costs.

Harman Mining Corporation and certain of its affiliates (collectively "Harman") filed a breach of contract action against Wellmore Coal Corporation, a former Massey subsidiary, in Buchanan County, Virginia Circuit Court. In May 2000, in a trial to determine liability only, Harman received a jury verdict that Wellmore breached the contract. On August 24, 2000, as part of the damages phase of the trial, a jury awarded damages in the amount of $6 million. Massey intends to appeal the award and will defend the action vigorously.

Fluor Signature Services

The Fluor Signature Services segment, which was created to provide business and administrative support services to the operating units with distinct profit-and-loss accountability, officially began operations at the start of fiscal 2000. External revenues during the first nine months of the year totaled $13.8 million. The segment reported an operating profit of $0.7 million during the nine months ended July 31, 2000.

Strategic Reorganization Costs

In March 1999, Fluor Corporation announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization, Fluor Corporation recorded during the nine months ended July 31, 1999 a special provision of $136.5 million pretax to cover direct and other reorganization related costs, primarily for personnel, facilities and asset impairment adjustments. During the nine months ended July 31, 2000, $17.9 million of the special provision was reversed into earnings as a result of Fluor Corporation's decision to retain ownership and remain in its current office location in Camberley, U.K.

Fluor Corporation continues to implement this reorganization plan. To date, slightly more than 5,000 jobs have been eliminated with additional separations to be completed by the end of the fiscal year. Two offices were closed during the nine months ended July 31, 2000. These closures and the decision to retain facilities in Camberley, bring total offices closed to 15 thus completing the office utilization initiatives under the reorganization plan.

The special provision liability as of July 31, 2000 totaled $17.0 million and is comprised of $12.4 million for personnel costs and $4.6 million for lease termination costs. The remaining liability for personnel costs will be substantially utilized by year-end. The remaining liability associated with abandoned lease space will be amortized as an offset to lease expense over the remaining life of the respective leases starting on the date of abandonment.

Other

Net interest expense for the nine month period ended July 31, 2000 increased by $5.5 million compared with the corresponding period of 1999 as the combined result of a decline in interest income resulting from lower average cash balances outstanding during 2000, higher levels of short-term debt, and an increase in interest rates for commercial paper during the latter part of the 2000 period. These factors were partially offset by a nonrecurring interest credit of $5.3 million associated with the Coal segment's excise tax recovery.

Corporate administrative and general expense for the nine months ended July 31, 2000 was $4.8 million higher compared with the same period in 1999 as the
net result of several factors. Development costs associated with Fluor Corporation's knowledge management and global sales development programs have increased current year expenses significantly. Costs related to Fluor Corporation's Enterprise Resource Management system, Knowledge@Work, totaled $15.8 million for the first nine months of 2000. Expenditures of $5.1 million for this program started during the third quarter of 1999. The Global Business Development organization had expenditures during the nine months ended July 31, 2000 of $14.8 million. Higher expenses in these areas were partially offset during the 2000 period by the reversal of previously recorded long-term (stock-based) incentive compensation expense as a result of the decline in trading prices of Fluor Corporation stock during the period.

Fluor Corporation's effective tax rate during 1999 was significantly impacted by the special provision due to certain non-U.S. items that did not receive full tax benefit. The reversal of a portion of the reserve during the nine months ended July 31, 2000 had an offsetting positive impact on the effective tax rate. However, that benefit was substantially offset by the absence of a tax benefit on the nonrecurring charge for disposition of the European-based consulting business recorded by Fluor Global Services during the same period. The nonrecurring item recorded by the Coal segment and associated interest did not impact the effective tax rate. Excluding the impacts of the special provision in each year and the nonrecurring charge recorded by Fluor Global Services during the 2000 period, the effective tax rate in the nine month period ended July 31, 2000 was 29.5 percent, compared with 32.8 percent during the corresponding period of 1999. The current year decrease has resulted from the successful implementation of a number of tax reduction initiatives.

Financial Position and Liquidity

At July 31, 2000, Fluor Corporation had cash and cash equivalents of $105.6 million and a total debt to total capital ratio of 31.1 percent, compared with cash and cash equivalents of $209.6 million and a total debt to total capital ratio of 26.3 percent at the end of fiscal year 1999.

Cash flow provided by operating activities was $90.3 million during the nine month period ended July 31, 2000, compared with $304.5 million during the same period in 1999. This change is primarily due to an increase in net operating assets and liabilities associated with engineering and construction activities. The level of operating assets and liabilities is affected from period to period by the mix, stage of completion and commercial terms of engineering, procurement and construction projects.

Cash utilized by investing activities totaled $299.4 million during the nine month period ended July 31, 2000 compared with $246.6 million during the same period in 1999. Capital expenditures increased by $23.2 million, including $47.0 million of capitalized costs for Knowledge@Work during the first nine months of 2000. Proceeds from the sale of property, plant and equipment were $21.3 million lower in the first nine months of 2000 compared with that same period in 1999, reflecting the cyclical nature of the equipment sale/rental business. Fluor Corporation completed the sale of its ownership interest in Fluor Daniel GTI, Inc. during the first quarter of 1999 and received proceeds totaling $36.3 million.

Cash provided by financing activities totaled $105.1 million during the nine month period ended July 31, 2000 compared with cash utilized of $160.5 million for the same period in 1999. During the first nine months of fiscal year 2000, Fluor Corporation increased its short-term borrowings by $171.8 million, including increases in commercial paper of $159.8 million and notes payable to banks of $12.0 million. In addition, Fluor Corporation increased its note payable to affiliate by $9.0 million during the first nine months of fiscal year 2000. Dividends paid during the first nine months of 2000 were $57.0 million ($0.75 per share) compared with $45.5 million ($0.60 per share) for the same period in 1999. In connection with a stock buyback program approved by the
Board of Directors on March 8, 2000, Fluor Corporation purchased 747,000 shares of its outstanding common stock for $23.0 million during the second quarter of 2000. Up to 7.5 million shares of common stock may be repurchased under the program. The repurchase program was suspended in the third quarter. The repurchase program is being funded from operating cash flow and supplemented by short-term credit facilities as repurchase opportunities arise.

Fluor Corporation has on hand and access to sufficient sources of funds to meet its anticipated operating needs. Significant short- and long-term lines of credit are maintained with banks which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by Fluor Corporation's commercial paper program.

Financial Instruments

Fluor Corporation has a forward purchase contract for 1,850,000 shares of its common stock. The contract matures in October 2000 and gives Fluor Corporation the ultimate choice of settlement option, either physical settlement or net share settlement. As of July 31, 2000, the contract settlement cost per share exceeded the current market price per share by $23.70.

If during the term of the contract, the price of Fluor Corporation's stock falls to certain levels, as defined in the contract, the holder of the contract has the right to require Fluor Corporation to register the shares or, if the price declines beyond a stated level, to settle the contract at Fluor Corporation's choice of settlement option.

Fluor Corporation utilizes forward exchange contracts to hedge foreign currency transactions entered into in the ordinary course of business and not to engage in currency speculation. At July 31, 2000 and October 31, 1999, Fluor Corporation had forward foreign exchange contracts of less than eighteen months duration, to exchange principally Euros, British pounds, Australian dollars, Canadian dollars, Dutch guilders and German marks for U.S. dollars. The total gross notional amount of these contracts at July 31, 2000 and October 31, 1999 was $28 million and $124 million, respectively. Forward contracts to purchase foreign currency amounted to $1 million and $122 million at July 31, 2000 and October 31, 1999, respectively. Forward contracts to sell foreign currency totaled $27 million and $2 million at July 31, 2000 and October 31, 1999, respectively.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes new standards for recording derivatives in interim and annual financial statements. This statement, as amended, is effective for Fluor Corporation's fiscal year 2001. Management does not anticipate that the adoption of the new statement will have a significant impact on the results of operations or the financial position of Fluor Corporation.

Recent Developments

Fluor Corporation announced on October 25, 2000 that it had made the decision to sell or shut down the dealership operations of AMECO, its heavy equipment business. Reviews at AMECO have identified required provisions that will be recorded in the fourth quarter of 2000 amounting to approximately $25 million pretax to adjust dealership accounts receivable and equipment inventory to fair value and for the shutdown of three foreign operations.

In addition, Fluor Corporation announced that it anticipates the Distribution will occur prior to December 31, 2000 and that it will record a charge in the fourth quarter of 2000 of about $25 million pretax to recognize
The transaction expenses related to the Distribution.

FLUOR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE YEARS ENDED OCTOBER 31, 1999

The following discussion and analysis is provided to increase understanding of, and should be read in conjunction with, the consolidated financial statements and accompanying notes. For purposes of reviewing this document "operating profit" is calculated as revenues less cost of revenues excluding: corporate administrative and general expense; interest expense; interest income; domestic and foreign income taxes; gain or loss on discontinued operations; the cumulative effect of a change in accounting principles; and certain other miscellaneous non-operating income and expense items which are immaterial.

Results of Operations

As a result of a strategic reorganization, during 1999 Fluor Corporation realigned its operating units into four business segments (which Fluor Corporation refers to as Strategic Business Enterprises): Fluor Daniel, Fluor Global Services, Coal and Fluor Signature Services. The Fluor Daniel segment provides design, engineering, procurement and construction services on a worldwide basis to an extensive range of industrial, commercial, utility, natural resources and energy clients. The Fluor Global Services segment, which includes American Equipment Company, TRS Staffing Solutions, Fluor Federal Services, Telecommunications, Operations & Maintenance and Consulting Services, provides outsourcing and asset management solutions to its customers. The Coal segment produces, processes and sells high-quality, low-sulfur steam coal for the utility industry as well as industrial customers, and metallurgical coal for the steel industry. Fluor Signature Services, which commenced operations on November 1, 1999, was created to provide business administration and support services for the benefit of the company and ultimately, to unaffiliated customers.

To implement the reorganization, Fluor Corporation recorded a special provision of $117.2 million. See "Strategic Reorganization Costs" elsewhere in Management's Discussion and Analysis. The provision was not allocated to the business segments.

Fluor Daniel Segment

Total 1997 new awards were $10.4 billion compared with $8.2 billion in 1998 and $4.8 billion in 1999. The following table sets forth new awards for each of the segment's business units:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals &amp; Life Sciences</td>
<td>$4,166</td>
<td>$3,053</td>
<td>$1,211</td>
</tr>
<tr>
<td>Oil, Gas &amp; Power</td>
<td>2,814</td>
<td>2,302</td>
<td>2,599</td>
</tr>
<tr>
<td>Mining</td>
<td>1,595</td>
<td>464</td>
<td>26</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,741</td>
<td>1,856</td>
<td>785</td>
</tr>
</tbody>
</table>

Year Ended October 31,
------------------------
1997        1998        1999
--------     ------      -----
40%         37%         25%
27%         28%         55%
15%         6%          1%
New awards in 1999 were lower compared with 1998, reflecting both the lingering impact of deferred capital spending by clients, primarily in the petrochemical and mining industries, and Fluor Corporation's continuing emphasis on greater project selectivity. The large size and uncertain timing of complex, international projects can create variability in the company's award pattern; consequently, future award trends are difficult to predict with certainty. However, given the improving global economic conditions, including significantly higher oil prices and the recent stabilizing of commodity prices, the company is optimistic about the level of new awards in 2000.

Since 1997 the trend in new awards activity within each business unit reflects the impact of the economic conditions and operating strategies noted above. There were no individual new awards in excess of $550 million in either 1999 or 1998. New awards for the Chemicals & Life Sciences business unit in 1997 included the $1.9 billion Yanpet project, a petrochemical complex in Saudi Arabia. The Mining business unit's new awards are down significantly from 1997 primarily due to depressed commodity prices, thereby limiting new projects, as well as this unit's focus on project selectivity. The decrease in new awards in 1999 compared with 1998 and 1997 for the Manufacturing business unit is primarily the result of an increased focus on project selectivity.

Backlog at October 31, 1997, 1998 and 1999 was $12.3 billion, $10.4 billion and $6.8 billion, respectively. The decrease in total backlog is consistent with the downward trend in new awards. Work performed on existing projects has exceeded new awards in both 1998 and 1999. The decrease in backlog from projects located outside the United States at October 31, 1999, resulted from work performed on international projects such as a copper and gold mine in Indonesia and the aforementioned petrochemical project in Saudi Arabia, in addition to a 39 percent decrease in international-related new awards. Although backlog reflects business which is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

Fluor Daniel revenues decreased to $8.4 billion in 1999 compared with $9.7 billion in 1998 and $10.2 billion in 1997, primarily due to a continuing decline in the volume of work performed. The decline in revenues is consistent with the downward trend in new awards, reflecting both deferred capital spending by clients as well as Fluor Corporation's emphasis on project selectivity. Fluor Daniel operating profit was $160 million in 1999, $161 million in 1998 and $70 million in 1997. Despite a 14 percent decline in revenues, operating margins for the year ended October 31, 1999 improved over the same period in 1998, primarily due to improved project execution. Operating results for the year ended October 31, 1997, reflect provisions totaling $118.2 million recorded for estimated losses on certain contracts and adjustments to project-related investments and accounts receivable. Results for 1997 also included charges totaling $25.4 million related to implementation of certain

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>17%</td>
<td>23%</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>498</td>
<td>136</td>
</tr>
<tr>
<td></td>
<td>1%</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Total new awards</td>
<td>$10,366</td>
<td>$8,173</td>
<td>$4,757</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>United States</td>
<td>$3,885</td>
<td>$4,112</td>
<td>$2,267</td>
</tr>
<tr>
<td></td>
<td>37%</td>
<td>50%</td>
<td>47%</td>
</tr>
<tr>
<td>International</td>
<td>$6,481</td>
<td>$4,061</td>
<td>$2,490</td>
</tr>
<tr>
<td></td>
<td>63%</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>Total new awards</td>
<td>$10,366</td>
<td>$8,173</td>
<td>$4,757</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Results for the year ended October 31, 1999 for Fluor Daniel include a provision totaling $84 million for process design problems which arose on its Murrin Murrin Nickel Cobalt project located in Western Australia. Fluor Corporation anticipates recovering a portion of this amount and, accordingly, has recorded $64 million in expected insurance recoveries. The result on operating profit was a negative $20 million impact which reflects costs in excess of contract maximums and which are not otherwise recoverable from any insurance coverage. During the fourth quarter of 1999, Fluor Daniel completed a more definitive estimate of costs required to address the design problems and potential insurance recoveries. As a result of this effort, both the estimated cost and expected insurance recovery amounts discussed above include an upward revision of $20 million.

The majority of Fluor Daniel’s engineering and construction contracts provide for reimbursement of costs plus a fixed or percentage fee. In the highly competitive markets served by this segment, there is an increasing trend for cost-reimbursable contracts with incentive-fee arrangements and fixed or unit price contracts. In certain instances, Fluor Daniel has provided guaranteed completion dates and/or achievement of other performance criteria. Failure to meet schedule or performance guarantees or increases in contract costs can result in non-recoverable costs, which could exceed revenues realized from the project. Fluor Daniel continues to focus on improving operating margins by enhancing selectivity in the projects it pursues, lowering overhead costs and improving project execution.


Fluor Global Services Segment

Total new awards in each of 1997 and 1998 were $1.8 billion, compared with $2.0 billion in 1999. The following table sets forth new awards for each of the segment’s business units:

<table>
<thead>
<tr>
<th></th>
<th>1997 (in millions)</th>
<th>1998 (in millions)</th>
<th>1999 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluor Federal Services</td>
<td>497</td>
<td>451</td>
<td>582</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>277</td>
<td>30</td>
<td>646</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>713</td>
<td>1,106</td>
<td>772</td>
</tr>
<tr>
<td>Consulting Services and Other</td>
<td>269</td>
<td>232</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total new awards</strong></td>
<td><strong>$1,756</strong></td>
<td><strong>$1,819</strong></td>
<td><strong>$2,032</strong></td>
</tr>
<tr>
<td>United States</td>
<td>$1,558</td>
<td>$1,524</td>
<td>$1,928</td>
</tr>
<tr>
<td>International</td>
<td>198</td>
<td>295</td>
<td>104</td>
</tr>
<tr>
<td><strong>Total new awards</strong></td>
<td><strong>$1,756</strong></td>
<td><strong>$1,819</strong></td>
<td><strong>$2,032</strong></td>
</tr>
</tbody>
</table>
New awards in 1999 were higher compared with 1998, as a result of an increase in telecommunications projects. New awards in 1998 were slightly higher than 1997 primarily due to the renewal of facility management service contracts for IBM at various facilities located throughout the United States. Because of the nature of the services performed by Fluor Global Services, primarily related to American Equipment Company (AMECO) and TRS Staffing Solutions, a significant portion of this segment's activities are not includable in backlog.

Backlog at October 31, 1997, 1998 and 1999 was $2.1 billion, $2.2 billion and $2.4 billion, respectively. The increase in total backlog is consistent with the increasing trend in new awards. The backlog of Fluor Global Services is concentrated in the United States, representing approximately 92 percent, 88 percent and 90 percent of the total backlog at the end of 1997, 1998 and 1999, respectively. Although backlog reflects business that is considered to be firm, cancellations or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, deferrals and revised project scope and cost, both upward and downward.

Fluor Global Services revenues increased to $2.9 billion in 1999 compared with $2.6 billion in 1998, as the result of higher revenues in its AMECO, Fluor Federal Services and Telecommunications business units. The decline in Fluor Global Services revenues from $3.0 billion in 1997 to $2.6 billion in 1998 was primarily due to a reduction in revenues related to its environmental strategies business which was phased out during 1998. Operating profit for the segment was $52 million in 1997, $81 million in 1998 and $92 million in 1999. Gross margin in 1999 declined to 9.4 percent from 11.2 percent in 1998 primarily due to the AMECO business unit, which is being adversely impacted by the increasingly competitive equipment sale and rental industry. Despite the lower gross margin, operating profit increased in 1999 compared with 1998 primarily due to the elimination of certain unprofitable operations which negatively impacted 1998. The improvement in operating results in 1998 as compared with 1997 is due primarily to losses incurred during 1997 by various unprofitable business units that were eliminated in 1998.

The majority of Fluor Global Services' contracts provide for reimbursement of costs plus a fixed or percentage fee. Due to intense competitive market conditions, there is an increasing trend for contracts with incentive-fee arrangements or fixed or unit price contracts. In certain instances, contracts provide guaranteed completion dates and/or achievement of other performance criteria. Failure to meet schedule or performance guarantees or increases in contract costs can result in non-recoverable costs, which could exceed revenues realized from the project.

In December 1996, TRS Staffing Solutions, the segment's temporary personnel services business unit, acquired the ConSol Group; in May 1997, AMECO acquired the SMA Companies; and, in June 1997, AMECO acquired J.W. Burress, Inc. These businesses, in addition to other smaller acquisitions, were purchased for a total of $142 million.

All acquisitions have been accounted for under the purchase method of accounting and their results of operations have been included in Fluor Corporation's consolidated financial statements from the respective acquisition dates. If these acquisitions had been made at the beginning of 1997, pro forma consolidated results of operations would not have differed materially from actual results.

In October 1998, Fluor Corporation entered into an agreement to sell its ownership interest in Fluor Daniel GTI, Inc. ("FD/GTI"), an environmental
services company. Under terms of the agreement, Fluor Corporation sold its 4,400,000 shares in FD/GTI for $8.25 per share, or $36.3 million in cash, on December 3, 1998. This transaction did not have a material impact on Fluor Corporation's results of operations or financial position. In August 1997, Fluor Corporation completed the sale of ACQUION, a global provider of supply chain management services, for $12 million in cash, resulting in a pre-tax gain of $7 million.

Coal Segment

Revenues and operating profit from Coal operations in 1999 were $1.08 billion and $147 million, respectively, compared with $1.13 billion and $173 million in 1998. Revenues and operating profit in 1997 were $1.08 billion and $155 million, respectively.

Revenues decreased $44 million in 1999 compared with 1998 primarily due to the combination of a reduction in volume of the higher priced metallurgical coal and a decline in prices. Metallurgical coal volume decreased nearly 18 percent during 1999 compared with 1998. This decrease was more than offset by an increase in lower priced steam coal volume. Also contributing to the decline in coal revenues were lower realized prices for both steam and metallurgical coal. Steam coal prices declined 4 percent while metallurgical coal prices declined 2 percent. The metallurgical coal market continues to be adversely affected by steel imports from outside the United States and a weak U.S. coal export market. The imports have reduced demand for steel produced in the United States and thereby reduced U.S. demand for metallurgical coal, which is used in steel production. Demand is weak for U.S. coal exported to foreign markets as the U.S. dollar remains strong and the Asian economies slowly recover from their financial crises. Additionally, the market for steam coal, which is used to fire electric-generating plants, continues to be impacted by high customer inventory levels resulting from last year's mild winter and competition from western coals, which continue to penetrate the traditional eastern coal market areas. Gross profit for the year ended October 31, 1999 is down slightly from the same period in 1998 as a result of lower metallurgical coal sales volume and lower prices for both metallurgical and steam coal. Operating profit for 1999 is lower than 1998 due to higher fixed costs, primarily depreciation, depletion and amortization, as volume levels have remained relatively flat.

The market conditions described above have placed pressure on both the sales volume and pricing outlook for 2000. Fluor Corporation continues to focus on reducing mining production costs through expansion of its surface mining capabilities and utilization of longwall mining.

Revenues increased $46 million in 1998 compared with 1997 primarily due to increased sales volume of metallurgical coal, partially offset by lower steam coal prices. Metallurgical coal revenues increased 11 percent primarily due to higher demand by steel producers. Steam coal revenues were flat on steady volume in 1998 as compared with 1997, while steam coal prices declined approximately 3 percent as overall demand was down due to both a mild winter and summer in 1998. Gross profit increased by 15 percent and operating profit increased by 12 percent in 1998 compared with 1997, primarily due to reduced production costs and an increased proportion of higher margin metallurgical coal sales, partially offset by lower steam coal prices.

Coal segment acquisitions during the three years ended October 31, 1999 were primarily focused on the purchase of additional low-sulfur coal reserves in areas adjacent to existing mine and mill operations. All acquisitions have been accounted for under the purchase method of accounting and their results of operations have been included in Fluor Corporation's consolidated financial statements from the respective acquisition dates. If these acquisitions had been made at the beginning of the respective year acquired, pro forma consolidated results of operations would not have differed materially from actual results.

Strategic Reorganization Costs
As noted above, during 1999 Fluor Corporation reorganized its engineering and construction operations. Fluor Corporation recorded a special provision of $117.2 million ($100.5 million after-tax) to cover direct and other reorganization related costs, primarily for personnel, facilities and asset impairment adjustments. The provision was initially recorded during the second quarter at the then estimated amount of $136.5 million ($119.8 million after-tax). Total estimated personnel costs associated with the reorganization were reduced during the fourth quarter as both the actual number of employee terminations as well as the cost per employee termination were lower than originally estimated.

Under the reorganization plan, approximately 5,000 jobs are expected to be eliminated. The provision includes amounts for personnel costs for certain affected employees that are entitled to receive severance benefits under established severance policies or by government regulations. Additionally, outplacement services may be provided on a limited basis to some affected employees. The provision also reflects amounts for asset impairment, primarily for property, plant and equipment; intangible assets (goodwill); and certain investments. The asset impairments were recorded primarily because of Fluor Corporation's decision to exit certain non-strategic geographic locations and businesses. The carrying values of impaired assets were adjusted to their current market values based on estimated sale proceeds, using either discounted cash flows or contractual amounts. Lease termination costs were also included in the special provision. Fluor Corporation anticipates closing 15 non-strategic offices worldwide as well as consolidating and downsizing other office locations. The closure or rationalization of these facilities is expected to be substantially complete by the end of fiscal year 2000.

As of October 31, 1999, Fluor Corporation has reduced headcount by approximately 5,000 employees and has closed 13 offices. Fluor Corporation anticipates closing two additional offices within the next six months. The special provision liability as of October 31, 1999 totaled $58.5 million. The remaining liability for personnel costs ($25.2 million) and asset impairments ($23.3 million) will be substantially utilized by April 30, 2000. The remaining liability associated with abandoned lease space ($9.7 million) will be amortized as an offset to lease expense over the remaining life of the respective leases starting on the date of abandonment.

Overhead beginning in 2000 is expected to be reduced by approximately $100 to $120 million annually as a result of the personnel reductions and office closures.

Other

Net interest expense for 1999 increased by $8.4 million compared with 1998 primarily due to an increase in interest expense resulting from higher average outstanding short-term borrowings used to fund Fluor Corporation's share repurchase program, which was completed in 1998. In addition, interest income declined as a result of lower average cash balances outstanding during the year. Net interest expense for 1998 increased compared with 1997 primarily due to an increase in short-term borrowings required to fund Fluor Corporation's share repurchase program and a full year of interest related to the $300 million in long-term debt issued in March 1997.

Corporate administrative and general expense for the year ended October 31, 1999 was $55.4 million compared with $22.6 million for the same period in 1998. The increase is due to higher stock-based compensation plan expense and an increase in consulting costs related to the development and implementation of Fluor Corporation's new strategic direction. Also included in corporate administrative and general expense for 1999 is approximately $8 million for the development of Fluor Corporation's Enterprise Resource Management system, Knowledge@Work. In addition, the year ended October 31, 1998 included a credit of approximately $10 million related to a long-term incentive compensation plan. Fluor Corporation accrues for certain long-term incentive awards whose
ultimate cost is dependent on attainment of various performance targets set by the Organization and Compensation Committee (the "Committee") of the Board of Directors. Under the long-term incentive compensation plan referred to above, the performance target expired, without amendment or extension by the Committee, on December 31, 1997. Corporate administrative and general expense for the year ended October 31, 1998, increased as compared with 1997 due to costs associated with Fluor Corporation's strategic business planning effort, executive severance and recruiting costs. Also included was the $10 million credit noted above.

The effective tax rate for year ended October 31, 1999 is significantly higher than the amount reported for the same period in 1998 primarily due to certain non-U.S. items included in the special provision which did not receive full tax benefit. The effective tax rate for the year ended October 31, 1998 was essentially the same as the U.S. federal statutory rate. In 1997, the effective tax rate was materially higher than the U.S. federal statutory tax rate primarily due to foreign-based project losses, other project-related investment losses and certain implementation costs for cost reduction initiatives incurred during the year which did not receive full tax benefit.

Discontinued Operations

In October 1997, Fluor Corporation received $60 million representing a negotiated prepayment of the remaining amounts outstanding stemming from the 1994 sale of its Lead business. The amount received slightly exceeded the recorded discounted value of the receivable.

Financial Position and Liquidity

The decrease in cash provided by operating activities in 1999, compared with 1998, is primarily due to lower net earnings (adjusted for the non-cash and unexpended amounts of the special provision in 1999) and an increase in project-related operating assets and liabilities. Also contributing to the decline was an increase in inventories, for both equipment for sale/rental and coal. The increase in inventories is the result of slowing markets. The receipt of a $30 million tax refund also positively impacted operating cash flow in 1998. The increase in cash provided by operating activities in 1998, compared with 1997, is primarily due to a net decrease in operating assets and liabilities (excluding the effects of business acquisitions and dispositions), primarily related to a decrease in the volume of work performed on engineering and construction contracts, and the aforementioned tax refund. Changes in operating assets and liabilities vary from year to year and are affected by the mix, stage of completion and commercial terms of engineering and construction projects.

Cash utilized by investing activities totaled $375.2 million in 1999 compared with $563.3 million in 1998. The decrease resulted primarily from lower capital expenditures and acquisitions, net of proceeds from the sale of property, plant and equipment. Capital expenditures in 1999 were primarily for the Fluor Global Services segment, specifically for AMECO and directed toward acquiring machinery and equipment for its rental business, and for the Coal segment, which were directed toward developing existing reserves. In addition, capital expenditures in 1999 include approximately $26 million of costs associated with Knowledge@Work. Fluor Corporation also completed the sale of its ownership interest in FD/GTI during 1999 and received proceeds totaling $36.3 million. The increase in cash utilized by investing activities in 1998 compared with 1997, is primarily attributable to monies received in 1997 from notes receivable related to the ongoing collection of deferred amounts associated with Fluor Corporation's 1994 sale of its Lead business. Capital expenditures, net of proceeds from the sale of property, plant and equipment, increased in 1998 compared with 1997, primarily in the Fluor Global Services and Coal segments. Offsetting this increase was a significant decline in acquisitions, again primarily in the Fluor Global Services and Coal segments.

Cash utilized by financing activities totaled $220.6 million in 1999
compared with $98.0 million in 1998. During 1999 Fluor Corporation reduced commercial paper and loan notes by $299.2 million partially offset by the issuance of a $113.4 million note payable to an affiliate. In addition, Fluor Corporation became obligated with respect to $17.6 million in long-term municipal bonds. Cash utilized by financing activities totaled $98.0 million in 1998 compared with 1997 during which time Fluor Corporation provided cash from financing activities of $235.7 million. In 1998, Fluor Corporation had short-term borrowings of $341.8 million to fund its 1997/1998 share repurchase program. Under this program, Fluor Corporation repurchased 8.3 million shares of its common stock for a total of $379.0 million. In 1997, Fluor Corporation issued $300 million of 6.95 percent senior notes due March 1, 2007. Proceeds were used to fund operating working capital, capital expenditures and the company's share repurchase program. During 1997, Fluor Corporation purchased 0.6 million shares of its common stock for a total of $34 million.

In connection with the Distribution, Fluor Corporation's 6.95% Senior Notes due March 1, 2007 are expected to become an obligation of Massey. In addition, proceeds from commercial paper borrowings totaling $200 million at Massey will be used by Fluor to settle its forward purchase contract to buy back 1.85 million shares of its common stock for $97.5 million with the $102.5 million remainder used to reduce Fluor's outstanding commercial paper.

Cash dividends decreased in 1999 to $60.7 million ($0.80 per share) from $63.5 million ($0.80 per share) in 1998 and $63.8 million ($0.76 per share) in 1997 as a consequence of the reduced number of shares outstanding that resulted from Fluor Corporation's share repurchase program. In December 1999, Fluor Corporation announced an increase in its quarterly cash dividend from $0.20 per share to $0.25 per share in 2000.

The total debt to capitalization ratio at October 31, 1999, was 26.3 percent compared with 32.4 percent at October 31, 1998.

Fluor Corporation has on hand and access to sufficient sources of funds to meet its anticipated operating needs. Significant short- and long-term lines of credit are maintained with banks which, along with cash on hand, provide adequate operating liquidity. Liquidity is also provided by Fluor Corporation's commercial paper program under which there was $113.7 million outstanding at October 31, 1999, compared with $245.5 million at October 31, 1998. In December 1998, Fluor Corporation expanded both its revolving credit facility and its commercial paper program from $400 million to $600 million. During January 1999, Fluor Corporation filed a shelf registration statement with the Securities and Exchange Commission for the sale of up to $500 million in debt securities.

Although Fluor Corporation is affected by inflation and the cyclical nature of the industry, its engineering and construction operations are generally protected by the ability to fix costs at the time of bidding or to recover cost increases in most contracts. Coal operations produce a commodity that is internationally traded at prices established by market factors outside the control of Fluor Corporation. However, commodity prices generally tend over the long term to correlate with inflationary trends, and Fluor Corporation's substantial coal reserves provide a hedge against the long-term effects of inflation. Although Fluor Corporation has taken actions to reduce its dependence on external economic conditions, management is unable to predict with certainty the amount and mix of future business.

Financial Instruments

In connection with its 1997/1998 share repurchase program, Fluor Corporation entered into a forward purchase contract for 1,850,000 shares of its common stock at a price of $49 per share. The contract matures in October 2000 and gives Fluor Corporation the ultimate choice of settlement option, either physical settlement or net share settlement. As of October 31, 1999, the contract settlement cost per share exceeded the current market price per share.
If during the term of the contract, the price of Fluor Corporation's stock falls to certain levels, as defined in the contract, the holder of the contract has the right to require Fluor Corporation to register the shares or, if the price declines beyond a stated level, to settle the contract at Fluor Corporation's choice of settlement option.

Fluor Corporation's investment securities and substantially all of its debt instruments carry fixed rates of interest over their respective maturity terms. Fluor Corporation does not currently use derivatives, such as swaps, to alter the interest characteristics of its investment securities or its debt instruments. Fluor Corporation's exposure to interest rate risk on its $300 million senior notes, due in 2007, is not material given Fluor Corporation's strong balance sheet and creditworthiness which provides the ability to refinance.

Fluor Corporation utilizes forward exchange contracts to hedge foreign currency transactions entered into in the ordinary course of business and not to engage in currency speculation. At October 31, 1999 and 1998, Fluor Corporation had forward foreign exchange contracts of less than eighteen months duration, to exchange principally Australian dollars, Canadian dollars, Korean won, Dutch guilders and German marks for U.S. dollars. In addition, Fluor Corporation has a forward foreign currency contract to exchange U.S. dollars for British pounds sterling to hedge annual lease commitments which expired December 1999. The total gross notional amount of these contracts at October 31, 1998 and 1999 was $106 million and $124 million, respectively. Forward contracts to purchase foreign currency represented $102 million and $122 million, and forward contracts to sell foreign currency represented $4 million and $2 million, at October 31, 1998 and 1999, respectively.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes new standards for recording derivatives in interim and annual financial statements. This statement, as amended, is effective for Fluor Corporation's fiscal year 2001. Management does not anticipate that the adoption of the new statement will have a significant impact on the results of operations or the financial position of Fluor Corporation.

BUSINESS OF NEW FLUOR

In this section, "New Fluor" refers to the newly created entity whose shares are being distributed to shareholders in the Distribution and also to Fluor Corporation and its historical operation of the businesses that will be operated by New Fluor following the Distribution.

Overview

New Fluor is a leading professional services company offering a diverse range of value-added, knowledge-based services, from traditional engineering, procurement and construction to total asset management. New Fluor will continue to provide these services to its customers globally through four strategic business enterprises:

- Fluor DanielSM provides design, engineering, procurement and construction services on a worldwide basis to an extensive range of infrastructure, industrial, commercial, utility, natural resource, chemical and energy clients.

- Fluor Global ServicesSM provides outsourcing of maintenance services and asset operations, design and build-out services in the telecommunications market, equipment rental and sales, services to the
U.S. government and temporary staffing for client projects and other staffing needs.

1. Fluor Constructors International, Inc. provides unionized construction management services to a wide variety of industrial businesses worldwide.

2. Fluor Signature ServicesSM provides business support services including information technology, real estate, safety consulting, transactional accounting and human resource support for New Fluor and potentially for outside clients.

The wide range of services provided by these enterprises strategically position and differentiate New Fluor as a full-service provider of exceptional industry expertise and technical knowledge. New Fluor provides these services through a global network of offices in more than 25 countries on 6 continents.

Industry Overview

Design, Engineering, Construction and Maintenance Industries

The industries served by New Fluor are diverse, sharing common characteristics and each also having unique characteristics. The common industry characteristics center around the need to design, build and maintain an efficiently operating industrial infrastructure. The unique characteristics of each industry are generally segmented by industry sector. Each industry sector generally requires a different type and degree of technical expertise to design, build and maintain its infrastructure. The contracting methods and means by which owners engage companies such as New Fluor also vary by industry sector.

In 1999, according to Engineering News Record ("ENR"), the top 375 international design and construction firms accounted for approximately $400 billion of the design, build and maintenance revenues in the following industry sectors:(/1/)

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum</td>
<td>13%</td>
</tr>
<tr>
<td>Industrial</td>
<td>6%</td>
</tr>
<tr>
<td>Power</td>
<td>6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4%</td>
</tr>
<tr>
<td>Hazardous Waste</td>
<td>2%</td>
</tr>
<tr>
<td>Transportation</td>
<td>19%</td>
</tr>
<tr>
<td>Water &amp; Sewer</td>
<td>7%</td>
</tr>
<tr>
<td>Building</td>
<td>36%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

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(1) Sector definitions are established by ENR and are not the same as the industry definitions used by New Fluor in establishing the scope of industries served by each of its strategic business enterprises. The industries served by each strategic business enterprise are determined generally by marketing focus and technical and operational efficiencies.

The petroleum sector includes oil and gas production, refineries, petrochemical plants, pipelines, offshore and underwater facilities. This includes facilities for the production (both onshore and offshore) and
transport of crude oil, gas and LNG, including gas processing facilities, pumping stations, and terminals, as well as process plants that refine crude oil or are involved in the further processing of fractions from crude oil to improve their quality for use as fuels, asphalt, lubricants and similar products. Also included are plants that process a petroleum-derived gas or fraction into a finished petrochemical product, and plants for manufacture of chemical additives.

The industrial sector includes process plants that prepare chemical raw material feedstocks, chemical intermediates and chemical end products. This sector also includes life sciences, agricultural, pharmaceuticals, biotech, R&D laboratories, consumer products, foods processing, pulp and paper plants and facilities for the production of steel and non-ferrous metals.

The power sector includes production, transmission and distribution facilities for established utilities and Independent Power Producers (IPPs), consisting of fossil fuel, cogeneration, nuclear, geothermal and renewables.

The manufacturing sector includes automobile assembly & parts fabrication, semiconductor and microelectronics fabrication, aerospace and textile plants.

The hazardous waste sector includes hazardous chemical & soil remediation, nuclear waste, asbestos and lead abatement.

The transportation sector includes highways, bridges, airports, mass transit, light rail and marine & port facilities. This includes new programs and modernization projects in the United States stimulated by AIR-21 (for airports) and TEA-21 (for highways) legislation.

The water and sewer sector consists of water treatment, desalination, water transmission, aqueducts, dams, reservoirs and wastewater treatment, landfills and major sanitary/storm sewer projects.

The building sector includes hotels, convention centers, distribution/warehousing, health care, government, correctional, commercial office, commercial retail, educational, sports, entertainment and multi-unit residential.

The other sector category consists of telecommunications infrastructure, including communications transmissions systems, regional cellular and cable systems and communications systems. This category also includes metallurgical extraction facilities for the processing and production of copper, gold and aluminum.

Construction Equipment Industry

The construction equipment industry includes the provision of construction and industrial equipment, fleet maintenance and repairs, and tool services to international capital projects and plant operations for all industries. Included is the aftermarket parts and services businesses. Equipment maintenance includes repair, renovation, replacement, upgrade and preventive and predictive maintenance.

Personnel Staffing Industry

The personnel staffing industry consists of the provision of temporary, contract and direct-hire positions for all industries. Staffing categories generally consist of different skill types; professional and non-professional. Professional include information technology, accounting and finance, legal and engineering. Non-professional typically include secretarial services.

Strategy

New Fluor will continue to focus on its strategic priorities to create shareholder value. These strategies include the following:

Leveraging New Fluor’s project management capabilities to better serve its global clients. New Fluor has a strong reputation among its global customers.
procurement and risk management tools and human resource development, New Fluor is enhancing its ability to shrink schedules, reduce costs and monitor and communicate status on projects. These investments will improve New Fluor's competitiveness and ability to earn higher margins.

Focusing on clients, segments and projects where New Fluor's specific capabilities are valued. New Fluor has focused its marketing and selling effort on clients where growth prospects are high and where it delivers greater value through the capabilities of its member workforce, technology, scale, know-how and global alliances. This focus is designed to enhance margins and increase its volume of business with each targeted client.

Investing in information technology. New Fluor is investing heavily in a new generation of information technology which will enable procurement cost reductions, improved cost estimation, reduced administrative cost and more timely and accurate project monitoring, review and oversight.

Offering a broader array of services. New Fluor intends to capitalize on its success in providing services to its client base that do not relate to engineering and construction projects. New Fluor's clients require significant assistance and support throughout the life cycle of asset ownership. These expanded services include providing initial site selection, maintenance, operations, equipment leasing and rental and temporary support personnel. New Fluor will also focus on asset management alternatives, including development of and participation in structures for off-balance sheet ownership. Through Fluor Global Services, New Fluor will create new business units to develop, sell and execute against each of these identified opportunities.

Utilizing New Fluor's financial strength for selective investments. New Fluor's strong financial condition, which is a critical differentiator to its clients, demonstrates New Fluor's staying power and offers significant new growth potential. New Fluor's expanding scope of business activities will offer a wide array of attractive investments in projects and joint ventures to manage technology or enhance geographic execution. These investments will provide improved financial returns, spread risk and enhance New Fluor's range of capabilities to improve client service levels.

Competitive Strengths

New Fluor believes it is in a strong position to successfully execute its business strategy due to its many competitive strengths, which include the following:

New Fluor is a recognized industry leader with demonstrated experience and global scope. New Fluor's global scope, experience and capabilities have positioned it as an industry leader with the ability to provide a complete value-added array of services to meet the full life cycle needs of its clients' asset base. A trusted global leader, with nearly 100 years of experience in executing projects for international customers across a diverse range of industries, New Fluor has developed specialized skills to manage large, complex capital projects on a global basis. New Fluor's depth of knowledge and expertise have been key to building a strong global reputation for delivering projects on schedule, including the ability to develop innovative approaches to meeting unique project requirements. Engineering News-Record consistently ranks New Fluor among the top three international design firms and international contractors.

New Fluor has an excellent client base with strong long-term relationships. With nearly 100 years of world-class project experience, New Fluor has developed an excellent client base, including strong, long-term relationships with key global companies. Leveraging these relationships for
repeat business opportunities and expanding the scope of value-added services provided offers important growth potential.

New Fluor has a strong financial condition which is of critical importance to its clients and offers flexibility to capitalize on a variety of growth initiatives. Financial strength is a key differentiator to New Fluor's clients, providing confidence in its ability to complete its projects, as well as lending credibility and assistance for client projects seeking public financing. Additionally, New Fluor's financial strength provides the flexibility to invest in maintaining and enhancing its systems, services and work processes to ensure its capabilities are leading edge and provide unique added value for its clients.

New Fluor has a high-quality work force. New Fluor has a highly talented, dedicated and experienced work force strategically located across the globe. Additionally, its compensation philosophy has long been directed at providing employee incentives and benefits designed to optimize performance and to ensure the company's ability to attract and retain a quality work force.

New Fluor has an outstanding track record for safety performance. New Fluor has long been committed to fostering a strong safety culture across the entire scope of its business activities. New Fluor's safety performance, which continues to improve, is currently 60 times better than the national industry average. Achieving this level of safety performance translates into significant value in both cost savings and clients' valuation of New Fluor's key services.

New Fluor is an expert in global project execution logistics. New Fluor has the logistical know-how to move, assemble and expedite components, sub-assemblies and necessary construction materials around the world in a highly accurate and timely manner, which few competitors can match. This is a key project management capability, especially where worldwide transportation and customs approvals are necessary for successful project execution.

New Fluor's new strategic direction is well underway, with restructuring actions completed. While many of its competitors were slow or unwilling to recognize market changes, New Fluor undertook extensive restructuring, cost reduction and development of a new highly focused selling and marketing organization in the early stages of the last market downturn. As a result, New Fluor is particularly well positioned to capitalize on a cyclical upturn in key markets, as well as achieving growing success in penetrating new service-based growth opportunities.

Operations

A summary of New Fluor's operations and activities by business segment and geographical area is set forth below.

Fluor Daniel

The Fluor Daniel strategic business enterprise ("Fluor Daniel") provides a full range of design, engineering, procurement, construction and other services to clients in a broad range of industrial and geographic markets on a worldwide basis. Fluor Daniel's operations are organized into five business units responsible for identifying and capitalizing on opportunities in their market segments on a global basis. The operations of Fluor Daniel are detailed below by business unit:

Chemicals and Life Sciences: The Chemicals and Life Sciences business unit furnishes a full line of services to the following market segments: specialty and fine chemicals, petrochemicals, bulk pharmaceuticals, secondary pharmaceutical manufacturing and biotechnology. A representative sample of the projects being performed in this business unit include a film processing plant in China, a major petrochemical complex in the western province of Saudi Arabia and a pharmaceutical plant in Ireland. Life Sciences clients continue to concentrate their manufacturing capabilities in certain tax-advantaged
locations including Puerto Rico, Ireland and Singapore where Fluor Daniel has an existing and expanding presence. In addition, the Chemicals and Life Sciences business unit is targeting development opportunities to leverage key customer relationships by matching available technologies with regional market needs and feedstock availability. For example, the Chemicals and Life Sciences business unit has recently partnered with Du Pont to license, design and construct industrial plants using Du Pont's PET technology for the production of polyethylene.

Oil, Gas and Power: Fluor Daniel's Oil, Gas and Power business unit is an integrated service supplier providing a full range of design, engineering, procurement, construction and project management services in a broad spectrum of energy industries ranging from upstream production to refining to power generation. Typical oil and gas projects include new facilities, upgrades, revamps and expansions for refineries, pipeline installations and oil sands development projects. Current projects include development of an offshore oil field in the Timor Sea, various pipeline projects in the Caspian Sea region and a major oil sands project in Alberta, Canada. In power generation, this business unit designs, engineers and constructs power generation facilities predominantly in the fossil fuel power industry through Duke/Fluor Daniel, a partnership with Duke Energy. Duke/Fluor Daniel was awarded contracts for the development of seven new power generation facilities in fiscal year 1999.

Mining: The Mining business unit operates internationally in a wide range of mineral markets providing services ranging from mine planning and development, project management, technical and engineering services, resource evaluation, geologic modeling, equipment selection, permitting, construction and remediation. Projects being performed include the design and installation of the longest single strand underground conveyor in the world in Colorado, engineering, procurement and construction services for a major copper and gold project in Indonesia, design and construction management of the world's largest "grass roots" copper concentrator on the island of Sumbawa and construction of the world's largest vanadium production facility located in Western Australia.

Manufacturing: The Manufacturing business unit provides comprehensive engineering, architectural, construction, design, programming and management services to the general manufacturing, electronics, food, beverage and consumer products industries along with specialized construction management expertise for the pharmaceutical and biotechnology industries. This business unit strives to build longstanding business relationships with clients as best evidenced by its thirty year alliance with Procter & Gamble. Current projects of the Manufacturing business unit include wafer fabrication and processing facilities in Malaysia, a major electronics facility in the Philippines, a resort/hotel in Las Vegas, Nevada and a research and development and headquarters facility for a major pharmaceutical company in the northeastern United States.

Infrastructure: The Infrastructure business unit provides design, engineering, procurement, construction and construction management services for the transportation industry. In highway construction, the business unit has completed numerous projects and the anticipated growth of public-private ventures should serve as a platform to increase its role in this area. For example, the business unit was recently selected by the South Carolina Department of Transportation to provide construction and management support for the statewide highway development program. Other localities are emulating this innovative approach and, in concert with U.S. government funding of over $200-plus billion from the TEA-21 transportation bill resulting in numerous new transportation opportunities domestically, this business unit is well-positioned to grow in this area. In the area of railroad construction, numerous public/private venture projects are now under development in Europe. The Infrastructure business unit has expanded into this area as exemplified by its recent joint venture with Mott MacDonald in the United Kingdom to be one of three primary suppliers of program management services to Britain's Railtrack for a multi-billion dollar improvement project on one of England's most heavily traveled rail lines. Finally, due to global increases in air traffic, there is
a need for improvement and expansion of major airports. In this area, the Infrastructure business unit has managed numerous projects including its present involvement in a major expansion project at John F. Kennedy Airport in New York.

Competition

Fluor Daniel is one of the world's larger providers of engineering, procurement and construction services. The markets served by the business are highly competitive and for the most part require substantial resources, particularly highly skilled and experienced technical personnel. A large number of companies are competing in the markets served by the business. Competition is primarily centered on performance and the ability to provide the design, engineering, planning, management and project execution skills required to complete complex projects in a safe, timely and cost-efficient manner. Fluor Daniel's engineering, procurement and construction business derives its competitive strength from its diversity of projects, reputation for quality, technology, cost-effectiveness, worldwide procurement capability, project management expertise, strong safety record, geographic coverage and ability to meet client requirements by performing construction on either a union or an open shop basis.

Fluor Global Services

The Fluor Global Services strategic business enterprise ("Fluor Global Services") supplies a full array of business asset and operation management services outside the traditional engineering, procurement and construction value chain. Services provided by Fluor Global Services include operations, maintenance and consulting services; construction and rental equipment; contract and direct-hire staffing services and training; services to the U.S. government; and program and asset management services to industries on a global basis. This separate enterprise was created in order to better serve clients and to take advantage of a growing outsourcing market across a broad range of industries. Fluor Global Services' operations are organized into the following five business units:

AMECO: AMECO sells, rents, services and outsources equipment for construction and industrial needs on a global basis. In order to better serve clients, AMECO has reorganized into three business lines: Fleet Services which provides outsourcing services to targeted industrial markets; Site Services which provides complete rental equipment and tool programs for capital construction projects; and Dealerships which provide new and used equipment sales, parts and services in targeted geographic regions.

TRS Staffing Solutions: TRS Staffing Solutions is a global enterprise of staffing specialists that provides clients with assistance in temporary, contract and direct hire positions specializing in information technology, accounting and financing and engineering personnel. The temporary staffing unit affords clients flexibility and economies by providing temporary workers on a cost-effective basis. The contract and direct hire segment is focused on helping clients to effectively recruit and retain staff.

Operations & Maintenance: Operations & Maintenance furnishes repair, renovation, replacement, predictive and preventative services to commercial, industrial, nuclear, fossil fuel, manufacturing and oil, gas and power facilities worldwide. In addition, it is a leading supplier of integrated facility management for commercial and government operations, providing on-location maintenance and operations support coupled with workplace consulting and facility management services. The services provided by this business unit are those that are typically outsourced by a client in that they are ancillary to the primary business of the client. By outsourcing these services, the client is better able to focus on its primary business activities. Many of these contracts are evergreen in nature and can be extended for many years.
Fluor Federal Services: Fluor Federal Services is a leading provider of services to the U.S. government, especially with respect to the operation and environmental remediation of government facilities for the U.S. Department of Energy and Department of Defense. These projects tend to be extremely large, complex in nature and take many years to complete. Examples of activities being performed by Fluor Federal Services include environmental restoration, engineering, construction, site operations and maintenance at government sites located in Hanford, Washington and Fernald, Ohio.

Telecommunications: The Telecommunications business unit is a leading provider of systems integration and project management services for the global telecommunications market. As an example, this business unit was recently named project manager of a $320 million project to build out a network of fiber optic cable and point of presence units for Level 3 Communications. Additionally, this unit was awarded a $465 million project to provide a new integrated radio and transmission communications network for the London underground subway system.

Competition

The markets served by each Fluor Global Services business unit, while containing some similarities, have discrete issues particularly impacting that unit. Each business unit has a large number of companies competing in its markets. With respect to American Equipment Company, which operates in numerous markets, the equipment rental industry is highly fragmented and very competitive, with most competitors operating in specific geographic areas. In the sales and service area, the equipment distribution market consists primarily of firms which operate dealerships representing equipment manufacturers. Competition in the equipment arena is driven primarily by price, service and locality to where the client's services are required. With respect to TRS Staffing Solutions, this is a highly fragmented industry with over 100 companies competing nationally. The key competitive factors in this segment are price, service quality, breadth of service and geographical coverage. Key competitive factors in both Fluor Federal Services and Telecommunications are primarily centered on performance and the ability to provide the design, engineering, planning, management and project execution skills required to complete complex projects in a safe, timely and cost-efficient manner. In the Operations & Maintenance sector, the barriers to entry are low, resulting in a highly fragmented competitive environment with no single company being dominant. Competition is generally driven by reputation, price and capacity to perform.

Fluor Constructors

Fluor Constructors is organized and operated separately from Fluor Daniel. Fluor Constructors provides unionized construction management, construction and maintenance services in the United States and Canada, both independently and as a subcontractor to Fluor Daniel and global support to all Fluor Daniel industry and regional groups.

Fluor Signature Services

The Fluor Signature Services strategic business enterprise ("Fluor Signature Services") commenced operations effective November 1, 1999. This strategic business enterprise was created primarily to provide traditional business services and business infrastructure support to Fluor Corporation's business enterprises, including human resource, finance, accounting, safety, information technology, knowledge management and office support services. Fluor Signature Services brings a new approach to doing business. By assuming responsibility for the delivery of business administration and support services, Fluor Signature Services will allow New Fluor's operating units to focus on their core businesses. The individual operating units will define and choose which services to purchase from Fluor Signature Services. Consolidation of these services into one organization should reduce costs and improve quality
standards. Ultimately, such services may be marketed to external customers.

Properties

Operations of New Fluor and its subsidiaries are conducted in both owned and leased properties totaling approximately 7.0 million square feet. In addition, certain owned or leased properties of New Fluor and its subsidiaries are leased or subleased to third party tenants. The following table describes the location and general character of the major existing facilities:

<table>
<thead>
<tr>
<th>Location, Country</th>
<th>Interest</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States and Canada:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aliso Viejo, California</td>
<td>Leased</td>
<td>Fluor Corporate Headquarters and Fluor Daniel and Fluor Global Services Operations</td>
</tr>
<tr>
<td>Calgary, Canada</td>
<td>Leased</td>
<td>Fluor Daniel Canada Operations</td>
</tr>
<tr>
<td>Charlotte, North Carolina</td>
<td>Leased</td>
<td>Duke/Fluor Daniel Operations</td>
</tr>
<tr>
<td>Cincinnati, Ohio</td>
<td>Leased</td>
<td>Fluor Daniel Operations and Procter &amp; Gamble Alliance</td>
</tr>
<tr>
<td>Greenville, South Carolina</td>
<td>Leased and Owned</td>
<td>Fluor Daniel, Fluor Global Services and AMECO Operations</td>
</tr>
<tr>
<td>Houston (Sugar Land office), Texas</td>
<td>Owned</td>
<td>Fluor Daniel and Fluor Global Services Operations</td>
</tr>
<tr>
<td>Irvine, California</td>
<td>Leased</td>
<td>Fluor Signature Services Operations</td>
</tr>
<tr>
<td>Richland, Washington</td>
<td>Leased</td>
<td>Fluor Federal Services Operations</td>
</tr>
<tr>
<td>Rumford, Rhode Island</td>
<td>Leased</td>
<td>Fluor Daniel Operations</td>
</tr>
<tr>
<td>San Juan, Puerto Rico</td>
<td>Leased</td>
<td>Fluor Daniel Operations</td>
</tr>
<tr>
<td>Vancouver, Canada</td>
<td>Leased</td>
<td>Fluor Daniel Wright Operations</td>
</tr>
<tr>
<td>The Americas:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico City, Mexico</td>
<td>Leased</td>
<td>ICA Fluor Daniel Operations</td>
</tr>
<tr>
<td>Monterey, Mexico</td>
<td>Owned</td>
<td>AMECO Offices and Yard</td>
</tr>
<tr>
<td>Santiago, Chile</td>
<td>Owned and Leased</td>
<td>Fluor Daniel Chile and AMECO Operations</td>
</tr>
<tr>
<td>Buenos Aires, Argentina</td>
<td>Leased</td>
<td>Fluor Daniel Operations</td>
</tr>
<tr>
<td>Europe, Africa and Middle East:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Al Khobar, Saudi Arabia</td>
<td>Owned</td>
<td>Fluor Daniel Arabia Operations</td>
</tr>
<tr>
<td>Asturias, Spain</td>
<td>Owned</td>
<td>Fluor Daniel Espana Operations</td>
</tr>
<tr>
<td>Camberley, England</td>
<td>Owned</td>
<td>Fluor Daniel Limited Operations</td>
</tr>
<tr>
<td>Haarlem, Netherlands</td>
<td>Owned and Leased</td>
<td>Fluor Daniel Operations</td>
</tr>
<tr>
<td>Sandton, South Africa</td>
<td>Leased</td>
<td>Fluor Daniel Southern Africa Operations</td>
</tr>
<tr>
<td>Gliwice, Poland</td>
<td>Leased</td>
<td>Fluor Daniel Operations</td>
</tr>
<tr>
<td>Asia and Asia Pacific:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jakarta, Indonesia</td>
<td>Leased</td>
<td>Fluor Daniel Eastern, Inc. Operations</td>
</tr>
<tr>
<td>Manila, Philippines</td>
<td>Owned and Leased</td>
<td>Fluor Daniel Inc. Philippines Operations</td>
</tr>
<tr>
<td>Melbourne, Australia</td>
<td>Leased</td>
<td>Fluor Daniel Pty Ltd. Operations</td>
</tr>
<tr>
<td>Perth, Australia</td>
<td>Leased</td>
<td>Fluor Daniel Pty Ltd. Operations</td>
</tr>
<tr>
<td>New Delhi, India</td>
<td>Leased</td>
<td>Fluor Daniel India Private Ltd. Operations</td>
</tr>
</tbody>
</table>

Legal Proceedings

Disputes have arisen between a subsidiary of Fluor Daniel and its client, Anaconda Nickel, over the Murrin Murrin Nickel Cobalt project located in Western Australia. Both parties have initiated the dispute resolution process under the contract. Anaconda's primary contention is that the process design, through which pressurized and super heated metal slurry flows through a series of depressurization flash vessels, is defective and incapable of proper operation. Anaconda also contends that it has suffered other consequential
losses, such as loss of profit, for which it seeks payment from New Fluor. Anaconda contends that New Fluor is liable to Anaconda in the total amount of A$1 billion, A$800 million of which is alleged consequential damages.

New Fluor vigorously disputes and denies Anaconda's allegations. Among other things, New Fluor contends that Anaconda has and continues to improperly operate the facility causing the flash vessels to fail. When Anaconda complied with the written operating procedures, the flash vessels operated properly and continuously. Moreover, New Fluor contends that Anaconda has failed to supply the contractually guaranteed feedstock, adversely affecting the performance of the facility. New Fluor rejects Anaconda's claim of loss of profit, since New Fluor has complied with the applicable standards of care in the industry and otherwise, the contract between New Fluor and Anaconda contains a waiver of consequential damages, such as loss of profit.

New Fluor has provided notice to all applicable insurance carriers of the disputes between the parties. If and to the extent that these problems are ultimately determined to be the responsibility of New Fluor, New Fluor anticipates recovering a substantial portion of this amount from available insurance. For additional discussion, see Contingencies and Commitments in the Notes to New Fluor's Consolidated Financial Statements contained elsewhere in this Proxy Statement.

In addition, New Fluor and its subsidiaries, incident to their normal business activities, are parties to a number of other legal proceedings and other matters in various stages of development. While New Fluor cannot predict the outcome of these proceedings, based on reports of counsel, in its opinion any liability arising from these matters individually and in the aggregate will not have a material adverse effect upon the financial position or results of operations of New Fluor after giving effect to provisions already recorded.

MASSEY ENERGY COMPANY
CAPITALIZATION

The following table sets forth the historical capitalization of Massey Energy Company as of July 31, 2000:

- on an actual basis
- on an as adjusted basis to reflect
  - The retention of $300 million of Fluor Corporation Senior Notes which will remain an obligation of Massey following the Distribution
  - The issuance of $230 million of commercial paper, the proceeds of which will be transferred to New Fluor
  - The assumption by Massey of Fluor Corporation's capital structure.

This information should be read in conjunction with Massey Energy Company's Combined Financial Statements and Notes thereto and other information contained elsewhere in this Proxy Statement. See "Cautionary Statements."

<table>
<thead>
<tr>
<th></th>
<th>July 31, 2000</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
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<tr>
<td>--------------</td>
<td>--------</td>
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<tr>
<td>Short-term debt</td>
<td>$ --</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>For the Year Ended October 31,</td>
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<td>--------------------------------</td>
<td>-------------------------------</td>
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<tr>
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<td>------</td>
</tr>
<tr>
<td>(in millions, except per share, per ton and number of employees amounts)</td>
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</tr>
<tr>
<td>COMBINED STATEMENT OF EARNINGS DATA:</td>
<td></td>
</tr>
</tbody>
</table>
EARNINGS DATA:

Net sales............. $  846.8  $  957.8  $1,077.9  $1,121.1 $1,076.1 $  790.1 $  792.5
Other revenue (2)..... 17.7  18.0  31.9  32.8  38.4  31.5  51.6
Income from
operations........... 111.0  134.5  154.8  170.1  139.4  99.4  95.6
Net earnings.......... 107.3  107.6  119.0  128.3  103.4  74.5  77.1
Pro forma earnings per
share (3)............. 1.45  1.46  1.61  1.74  1.40  1.01  1.04

COMBINED BALANCE SHEET
DATA:

Working capital
(deficit)............. $  (27.6) $   (5.3) $   (2.4) $    4.0 $  43.9 $  98.4 $ 128.3
Total assets.......... 1,204.2  1,398.9  1,641.6  1,836.9  1,980.0  1,941.5  2,086.7
Shareholder's equity..  824.2  905.2  1,054.8  1,181.2  1,277.4  1,326.7  1,391.1

OTHER DATA:

EBIT (4).............. $  111.0  $  134.5  $  154.8  $  170.1 $  139.4 $   99.4 $   95.6
EBITDA (4)............ 194.7  239.9  286.1  320.6  306.9  224.2  221.7
Tons sold............. 27.4  31.1  35.6  37.6  37.9  27.6  29.7
Tons produced......... 27.4  31.2  36.6  38.0  38.4  28.3  30.4
Average cost per ton.. $  23.71  $  22.99  $  22.47  $  21.36 $  20.39 $  20.70 $  20.13
Average sales price
per ton.............. 30.89  30.81  30.24  29.83  28.40  28.63  26.64
Capital expenditures.. $  181.8  $  225.7  $  305.2  $  307.9 $  230.0 $  175.4 $  169.2
Number of employees...  2,479  2,809  2,968  3,094  3,190  3,113  3,470

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(1) Includes a $12.0 million excise tax refund and related interest of $5.3 million.
(2) Other revenue consists of royalties, rentals, miscellaneous income and gains on the sale of non-strategic assets.
(3) Shares used to calculate basic pro forma earnings per share is based on the number of shares expected to be outstanding at the date of Distribution (assumed to be equal to the 75,669,076 shares of Fluor Corporation common stock outstanding on July 31, 2000 less 1.85 million shares of common stock expected to be acquired upon the settlement of its forward purchase contract). Shares used to calculate diluted earnings per share is based on the number of shares expected to be issued in the Distribution and the dilutive effect of stock options and other stock-based instruments of Fluor Corporation, held by Massey employees, that will be converted to equivalent instruments in Massey Energy Company.
(4) EBIT is defined as earnings before deducting net interest expense (interest expense less interest income) and income taxes. EBITDA is defined as earnings before deducting net interest expense (interest expense less interest income), income taxes and depreciation, depletion and amortization. Although EBIT and EBITDA are not measures of performance calculated in accordance with generally accepted accounting principles, management believes that they are useful to an investor in evaluating Massey because they are widely used in the coal industry as measures to evaluate a company's operating performance before debt expense and its cash flow. EBIT and EBITDA do not purport to represent income and cash generated by operating activities and should not be considered in isolation or as a substitute for measures of performance in accordance with generally accepted accounting principles. In addition, because EBIT and EBITDA are not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by EBIT and EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

MASSEY ENERGY COMPANY

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information has been prepared giving effect to the Distribution as if it occurred on July 31, 2000
for the pro forma combined balance sheet and as of November 1 of the respective periods for the pro forma combined statements of earnings for the year ended October 31, 1999 and nine months ended July 31, 2000. The pro forma combined balance sheet and statements of earnings set forth below do not purport to represent what Massey's financial position actually would have been had the Distribution occurred on the dates indicated or to project Massey's operating results for any future period. The pro forma adjustments are based upon available information and certain assumptions that Fluor Corporation management believes are reasonable. The pro forma combined financial statements set forth below should be read in conjunction with, and are qualified in their entirety by, the information under "Massey Energy Company Selected Combined Financial Data," "Massey Energy Company Management's Discussion and Analysis of Financial Condition and Results of Operations" and Massey Energy Company's Combined Financial Statements and Notes thereto included elsewhere in this Proxy Statement.

UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS

<table>
<thead>
<tr>
<th>Year Ended October 31, 1999</th>
<th>Pro Forma</th>
<th>Historical Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions, except share and per share amounts)</td>
<td>Pro Forma(1)</td>
<td></td>
</tr>
<tr>
<td>Net sales.........................</td>
<td>$1,076.1</td>
<td>$1,076.1</td>
</tr>
<tr>
<td>Other revenue.....................</td>
<td>38.4</td>
<td>38.4</td>
</tr>
<tr>
<td>Total revenue.....................</td>
<td>1,114.5</td>
<td>1,114.5</td>
</tr>
</tbody>
</table>

Costs and expenses

<table>
<thead>
<tr>
<th></th>
<th>Pro Forma</th>
<th>Historical Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenues................</td>
<td>774.8</td>
<td>774.8</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>167.6</td>
<td>167.6</td>
</tr>
<tr>
<td>Selling, general and administrative expense</td>
<td>32.7</td>
<td>32.7</td>
</tr>
<tr>
<td>Total costs and expenses........</td>
<td>975.1</td>
<td>975.1</td>
</tr>
</tbody>
</table>

Earnings before taxes................ 153.0 104.3

Income tax expense .................... 49.6 (17.0)(5) 30.0 (2.6)(6)

Net earnings......................... $103.4 $74.3

Pro forma earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Pro Forma</th>
<th>Historical Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic.........................</td>
<td>$1.40</td>
<td>$1.01</td>
</tr>
<tr>
<td>Diluted.......................</td>
<td>$1.40</td>
<td>$1.01</td>
</tr>
</tbody>
</table>

Shares used to calculate pro forma earnings per share (in thousands) (7)

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic.........................</td>
<td>73,819</td>
<td>73,819</td>
</tr>
<tr>
<td>Diluted.......................</td>
<td>73,826</td>
<td>73,826</td>
</tr>
</tbody>
</table>

(1) Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs
have not been reflected in the pro forma combined financial statements.

(2) The reduction of interest income resulting from the elimination of net intercompany receivables from Fluor Corporation.

(3) Additional interest expense arising from the issuance of $230 million of commercial paper at an assumed interest rate of 7 percent.

(4) Additional interest expense arising from $300 million of Senior Notes assuming an interest rate of 6.95 percent. See "The Distribution--Financing."

(5) The impact of the pretax pro forma adjustments on income tax expense, at the federal statutory tax rate of 35 percent.

(6) Tax benefit of the operating losses of Appalachian Synfuel, LLC realizable due to the Distribution.

(7) Shares used to calculate basic pro forma earnings per share is based on the number of shares expected to be outstanding at the date of the Distribution (assumed to be equal to the 75,669,076 shares of Fluor Corporation common stock outstanding on July 31, 2000 less 1.85 million shares of common stock expected to be acquired upon the settlement of its forward purchase contract). Shares used to calculate diluted earnings per share is based on the number of shares expected to be issued in the Distribution and the dilutive effect of stock options and other stock-based instruments of Fluor Corporation, held by Massey employees, that will be converted to equivalent instruments in Massey Energy Company.

------------

MASSEY ENERGY COMPANY

UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS

Nine Months Ended July 31, 2000
---------------------------------
<table>
<thead>
<tr>
<th>Pro Forma</th>
<th>Pro Historical Adjustments</th>
<th>Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$792.5</td>
<td>$792.5</td>
<td>$792.5</td>
</tr>
</tbody>
</table>

Other revenue..............................      51.6                    51.6
Total revenue..............................     844.1                   844.1

Costs and expenses
Cost of revenues.........................     600.5                   600.5
Depreciation, depletion and amortization..................     126.0                   126.0
Selling, general and administrative expense............     22.0                    22.0
Total costs and expenses...............     748.5                   748.5

Income from operations.....................      95.6                    95.6

Interest income............................      19.8     (11.7) (2)      8.1
Interest expense...........................     (0.2)    (12.1) (3)    (27.9)

(15.6) (4)

Earnings before taxes......................     115.2                    75.8
Income tax expense.........................     38.1     (13.8) (5)      22.3

(2.0) (6)

Net earnings..................................   $  77.1                 $  53.5

(66)
### Pro forma earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Pro Forma</th>
<th>Pro Forma (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$1.04</td>
<td>$0.72</td>
</tr>
<tr>
<td>Diluted</td>
<td>$1.04</td>
<td>$0.72</td>
</tr>
</tbody>
</table>

### Shares used to calculate pro forma earnings per share (in thousands) (7)

<table>
<thead>
<tr>
<th></th>
<th>Pro Forma</th>
<th>Pro Forma (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>73,819</td>
<td>73,819</td>
</tr>
<tr>
<td>Diluted</td>
<td>73,820</td>
<td>73,820</td>
</tr>
</tbody>
</table>

---

1. Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs have not been reflected in the pro forma combined financial statements.

2. The reduction of interest income resulting from the elimination of net intercompany receivables from Fluor Corporation.

3. Additional interest expense arising from the issuance of $230 million of commercial paper at an assumed interest rate of 7 percent.

4. Additional interest expense arising from $300 million of Senior Notes assuming an interest rate of 6.95 percent. See "The Distribution--Financing."

5. The impact of the pretax pro forma adjustments on income tax expense, at the federal statutory tax rate of 35 percent.

6. Tax benefit of the operating losses of Appalachian Synfuel, LLC realizable due to the Distribution.

7. Shares used to calculate basic pro forma earnings per share is based on the number of shares expected to be outstanding at the date of the Distribution (assumed to be equal to the 75,669,076 shares of Fluor Corporation common stock outstanding on July 31, 2000 less 1.85 million shares of common stock expected to be acquired upon the settlement of its forward purchase contract). Shares used to calculate diluted earnings per share is based on the number of shares expected to be issued on the Distribution and the dilutive effect of stock options and other stock-based instruments of Fluor Corporation, held by Massey employees, that will be converted to equivalent instruments in Massey Energy Company.
### Accounts Receivable

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>168.2</td>
</tr>
<tr>
<td>Inventories</td>
<td>92.1</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>60.5</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>325.9</td>
</tr>
</tbody>
</table>

### Net Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net property, plant and equipment</td>
<td>1,548.6</td>
</tr>
</tbody>
</table>

### Other Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension assets</td>
<td>63.7</td>
</tr>
<tr>
<td>Other</td>
<td>148.5</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>212.2</td>
</tr>
</tbody>
</table>

### Liabilities and Shareholder’s Equity

#### Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and notes payable and bank over drafts</td>
<td>$ 111.7</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>230.0</td>
</tr>
<tr>
<td>Payroll and employee benefits</td>
<td>22.9</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>63.0</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>197.6</td>
</tr>
</tbody>
</table>

#### Long-term Debt Due After One Year

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt due after one year</td>
<td>300.0</td>
</tr>
</tbody>
</table>

#### Noncurrent Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred taxes</td>
<td>247.4</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>250.6</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>498.0</td>
</tr>
</tbody>
</table>

#### Shareholder’s Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>46.1</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>812.9</td>
</tr>
<tr>
<td>Unamortized executive stock plan expense</td>
<td>(4.4)</td>
</tr>
<tr>
<td>Net investment by Fluor Corporation</td>
<td>1,391.1</td>
</tr>
<tr>
<td><strong>Total shareholder’s equity</strong></td>
<td>1,391.1</td>
</tr>
</tbody>
</table>

---

1. Management estimates that one-time pretax expenditures of approximately $20 to $25 million will be required to complete the Distribution. These costs have not been reflected in the pro forma combined financial statements.

2. The $300 million of Fluor Corporation 6.95% Senior Notes due March 1, 2007 will be an obligation of Massey following the Distribution.

3. At the effective time of the Distribution, Massey will issue approximately $230 million of commercial paper, the proceeds of which will be transferred to New Fluor. See "The Distribution--Financing."

4. Represents federal income tax relating to the change in ownership of Appalachian Synfuel, LLC that becomes payable as a result of the Distribution.

5. Adjustment of shareholder's equity balances to reflect the new capital structure of Massey.

6. To reflect restricted stock held by Massey former employees.
Massey is the leading coal producer in the Central Appalachian area of the United States, a region containing substantial reserves of premium metallurgical coal demanded by steel manufacturers as well as low sulfur, high Btu coal desired by electricity providers. Over a number of years, Massey and its parent, Fluor Corporation, have consistently made substantial investments in the operating infrastructure to develop the 18 state-of-the-art mining complexes currently operated by Massey.

Massey has a highly capable management team with a long and proven track record in the coal industry. This team has consistently achieved high levels of productivity while also achieving one of the best safety records in the industry. The Massey accident rate (non-fatal days lost) is less than one-half the coal industry average.

Massey believes that its strategic location and consistent performance have led to a strong and diverse customer base. Its competitive position is enhanced by its strategic access to customers--via rail, rivers, the Great Lakes shipping routes and coastal shipping terminals for export--providing Massey the flexibility to supply different types of coal to meet the varying demands of its customers.

Massey plans to maintain its disciplined growth strategy that has resulted in a threefold increase in coal reserves and a doubling of production over the past ten years. This strategy involves selectively acquiring new properties and efficiently integrating acquired properties into existing infrastructure. Massey also intends to maintain its historically strong financial condition relative to its competitors.

Results of Operations

Nine months ended July 31, 2000 compared with the nine months ended July 31, 1999

Net sales increased slightly to $792.5 million for the nine months ended July 31, 2000 compared with $790.1 million for the nine months ended July 31, 1999 as a result of three factors:

- The volume of steam coal sold has increased significantly during the current year (17 percent for the first nine months of 2000 compared with 1999).
- The volume of the higher priced metallurgical coal has declined by 6 percent for the first nine months of 2000 compared with the corresponding period of 1999.
- The average realized prices for both steam and metallurgical coal have declined during the current year by 6 percent for the first nine months of 2000 compared with the same period in 1999.

The metallurgical coal market continues to be adversely affected by a weak coal export market and the slow recovery of the domestic steel market. Demand is weak for U.S. coal exported to foreign markets as the U.S. dollar remains strong. The market for steam coal continues to be adversely impacted by two factors: (1) recent mild weather and (2) competition from western coals, which is increasing its penetration of traditional eastern coal market areas.

Other revenue, which consists of royalties, rentals, miscellaneous income and gains on the sale of non-strategic assets, increased 64 percent to $51.6 million for the 2000 period compared with $31.5 million for the 1999 period. The increase was primarily due to an increase in income from dispositions of non-strategic mineral reserves which generated $26.5 million in the 2000 period compared with $10.2 million in the 1999 period. As part of its management of
coal reserves, Massey regularly sells non-strategic reserves or exchanges them for reserves located in more synergistic locations.

Cost of sales increased 5 percent to $600.5 million for the 2000 period from $572.8 million in the 1999 period. This was primarily due to the increase in tons sold by 8 percent from 27.6 million tons in the 1999 period to 29.7 million tons in the 2000 period. Cost of sales for the nine months ended July 31, 2000 includes a $12.0 million refund related to excise taxes paid on coal export sales tonnage. The payment of excise taxes on exported coal was determined to be unconstitutional by a 1998 federal district court decision. During the third quarter, the Internal Revenue Service issued procedures for obtaining refunds related to such excise taxes. Cost of sales on a per ton of coal sold basis, excluding the excise tax refund, increased by approximately 1 percent in the 2000 period compared with the corresponding period in 1999 as operational problems and adverse geologic conditions encountered during the third quarter of 2000 more than offset cost reductions that had been achieved in previous quarters of the 2000 period.

Depreciation, depletion and amortization slightly increased to $126.0 million for the 2000 period from $124.9 million in the 1999 period. The increase of $1.1 million was primarily due to capital expenditures made in recent years.

Selling, general and administrative expenses decreased 11 percent to $21.9 million for the 2000 period compared with $24.6 million for the 1999 period, due in part to reduced accruals related to long-term executive compensation plans.

Interest income increased to $19.8 million for the 2000 period compared with $10.5 million for the 1999 period. This increase of $9.3 million was primarily due to the additional interest income of $5.3 million related to the excise tax refunds discussed above and a general increase in the floating interest rate on a note receivable from Fluor Corporation.

Income taxes increased 10.1 percent to $38.1 million for the 2000 period compared with $34.6 million in the 1999 period. The increase primarily reflects the increased earnings in the 2000 period compared with the 1999 period. The effective tax rate was 33.1 percent for the 2000 period compared with 31.7 percent for the 1999 period.

1999 Compared with 1998

Net sales for 1999 decreased 4 percent to $1,076.1 million from $1,121.1 million for 1998. Sales decreased $45.0 million in 1999 compared with 1998 primarily due to the combination of a reduction in volume of the higher priced metallurgical coal and a decline in prices. Metallurgical coal volume decreased nearly 18 percent during 1999 compared with 1998. This decrease was more than offset by an increase in lower priced steam coal volume. Also contributing to the decline in coal revenues were lower realized prices for both steam and metallurgical coal. Steam coal prices declined 4 percent while metallurgical coal prices declined 2 percent. The metallurgical coal market was adversely affected by steel imports from outside the United States and a weak U.S. coal export market. The imports reduced demand for steel produced in the U.S. and thereby reduced U.S. demand for metallurgical coal, which is used in steel production. Demand was weak for U.S. coal exported to foreign markets as the U.S. dollar was strong and the Asian economies slowly recover from their financial crises. Additionally, the market for steam coal continued to be impacted by two factors: (1) a mild winter in 1998 and (2) competition from western coals, which have continued to penetrate the traditional eastern coal market areas.

Other revenue, which consists of royalties, rentals miscellaneous income and gains on the sale of non-strategic assets, increased 17 percent to $38.4 million for 1999 compared with $32.8 million for 1998. The increase of $5.6
Cost of sales decreased 4 percent to $774.8 million for 1999 from $805.8 million in 1998 as a result of lower production costs. Cost reductions were achieved which lowered the cost per ton of coal sold during the period by 5 percent from $21.36 per ton in 1998 to $20.39 in 1999. Massey continues to focus on reducing mining production costs through expansion of its surface mining capabilities and utilization of longwall mining.

Depreciation, depletion and amortization increased 11 percent to $167.6 million for 1999 from $150.5 million in 1998. The increase of $17.1 million was primarily due to the start-up of Appalachian Synfuel, LLC's synthetic fuel plant and the development of a new surface mine and a new longwall mine.

Selling, general and administrative expenses increased 19 percent to $32.7 million for 1999 compared with $27.6 million for 1998 as a result of a long-term retention agreement negotiated with Massey's Chief Executive Officer.

Interest income decreased to $14.4 million for 1999 compared with $16.1 million for 1998. This decrease of $1.7 million was primarily due to a lower outstanding balance on the note receivable from Fluor Corporation caused by capital spending exceeding cash generated from operations.

Income taxes decreased 14 percent to $49.6 million for 1999 compared with $57.4 million in 1998. The $7.8 million decrease reflects decreased earnings in 1999 compared with 1998. The effective tax rate was 32.4 percent for 1999 compared with 30.9 percent for 1998.

1998 Compared with 1997

Net sales for 1998 increased 4 percent to $1,121.1 million from $1,077.9 million for 1997. Sales increased in 1998 compared with 1997 primarily due to increased sales volume of metallurgical coal, partially offset by lower steam coal prices. Metallurgical coal revenues increased 11 percent primarily due to higher demand by steel producers. Steam coal revenues were flat on steady volume in 1998 as compared with 1997, while steam coal prices declined approximately 3 percent as overall demand was down due to both a mild winter and summer in 1998.

Other revenue, which consists of royalties, rentals, miscellaneous income and gains on the sale of non-strategic assets, remained flat at $32.8 million for 1998 compared with $31.9 million for 1997.

Cost of sales increased 1 percent to $805.8 million for 1998 from $801.4 million in 1997 as a result of increased sales volume of 37.6 million tons in 1998 compared with 35.6 million tons in 1997. The average cost per ton sold decreased by 5 percent to $21.36 in 1998 from $22.47 in 1997 as a result of increased production from low cost surface and longwall mines.

Depreciation, depletion and amortization increased 15 percent to $150.5 million for 1998 from $131.3 million in 1997. The increase of $19.2 million was primarily due to the upgrading of several coal preparation plants, development of several new underground mines and a major new surface mine.

Selling, general and administrative expenses increased 23 percent to $27.6 million for 1998 compared with $22.4 million for 1997 as a result of increased payroll costs associated with the expansion of Massey's field services office in West Virginia and increased outside professional fees related to information technology and legal costs.

Interest income decreased to $16.1 million for 1998 compared to $17.5 million for 1997. This decrease of $1.4 million was primarily due to a decrease in the balance of Massey's note receivable from Fluor Corporation caused by capital spending exceeding cash generated from operations.
Income taxes increased 9 percent to $57.4 million for 1998 compared to $52.8 million in 1997. The $4.6 million increase reflects increased earnings in 1998 compared with 1997. The effective tax rate was 30.9 percent for 1998 compared with 30.7 percent for 1997.

Liquidity and Capital Resources

Massey’s cash and cash equivalents were $5.1 million at July 31, 2000. The cash flow provided by operating activities was $255.7 million in 1997, $285.5 million in 1998 and $236.5 million in 1999 and $100.6 million in the nine months ended July 31, 2000. Cash provided by operating activities reflect net earnings adjusted for non-cash charges and changes in working capital requirements. Net cash used in investing activities was $284.9 million in 1997, $282.3 million in 1998, $223.6 million in 1999 and $139.8 million in the nine months ended July 31, 2000. The cash used in investing activities reflects expenditures for replacement of mining equipment, the expansion of mining capacity and projects to improve the efficiency of mining operations. Financing activities primarily reflect changes in the note receivable from Fluor Corporation.

Massey is expected to have approximately $530 million in debt at the time of the Distribution. Fluor Corporation's $300 million of 6.95% Senior Notes due March 1, 2007 will remain an obligation of Massey following the Distribution. In addition, it is expected that Massey will have a commercial paper program that will provide up to $400 million of operating liquidity. Initially, it is expected that approximately $230 million of commercial paper borrowing will be outstanding at the time of the Distribution.

Massey generally has satisfied its working capital requirements and funded its capital expenditures from cash generated from operations. Massey believes that cash generated from operations and its borrowing capacity will be sufficient to meet its working capital requirements, anticipated capital expenditures (other than major acquisitions), scheduled debt payments and anticipated dividend payments for at least the next several years. Nevertheless, the ability of Massey to satisfy its debt service obligations, to fund planned capital expenditures or pay dividends will depend upon its future operating performance, which will be affected by prevailing economic conditions in the coal industry and financial, business and other factors, some of which are beyond Massey’s control. Massey frequently evaluates potential acquisitions. In the past, Massey has funded acquisitions primarily with cash generated from operations, but Massey may consider a variety of other sources, depending on the size of any transaction, including debt or equity financing. There can be no assurance that such additional capital resources will be available to Massey on terms which Massey finds acceptable, or at all.

Inflation

Inflation in the United States has been relatively low in recent years and did not have a material impact on Massey's results of operations for the years presented.

New Accounting Standards

Accounting for Derivative Instruments and Hedging Activities. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value.

In June 1999, FASB issued SFAS No. 137 which deferred the effective date of
Recent Developments

In the fourth quarter of 2000, Massey will provide $9.8 million for the impairment of certain mine development costs at the Upper Cedar Grove longwall mine, which is part of the Independence resource group. The roof conditions encountered on a recently completed panel were very poor and are not expected to improve in the adjacent panel. Evaluation of the mining conditions and the resulting recoverability of mine development costs will be completed in the fourth quarter.

Harman Mining Corporation and certain of its affiliates (collectively "Harman") filed a breach of contract action against Wellmore Coal Corporation, a former Massey subsidiary, in Buchanan County, Virginia Circuit Court. In May 2000, in a trial to determine liability only, Harman received a jury verdict that Wellmore breached the contract. On August 24, 2000, as part of the damages phase of the trial, a jury awarded damages in the amount of $6 million. Massey intends to appeal the award and will defend the action vigorously.

On October 11, 2000, a partial failure of Martin County Coal Corporation's Big Branch impoundment resulted in the release of approximately 230 million gallons of coal slurry into adjacent underground mine workings and two tributary streams of the Big Sandy River in eastern Kentucky. During the fourth quarter of 2000, Massey will record a $3 million charge for estimated costs net of anticipated insurance recoveries relating to the slurry spill.

BUSINESS AND PROPERTIES OF MASSEY

Overview

Massey is one of the foremost coal producers in the United States. In the Energy Ventures Analysis ranking of coal companies by 1999 revenues, Massey is the fifth largest coal company in the United States, and the largest in the Central Appalachian region. Massey produces, processes and sells bituminous, low sulfur coal of steam and metallurgical grades through its 18 processing and shipping centers, called "resource groups," many of which receive coal from multiple coal mines. Massey currently operates more than 50 coal mines in West Virginia, Kentucky and Virginia. Its steam coal is primarily purchased by utilities and industrial clients as fuel for power plants. Its metallurgical coal is used primarily to make coke for use in the manufacture of steel.

Massey was originally incorporated in Richmond, Virginia in 1920 as a coal brokering business. In the late 1940s, Massey expanded its business to include coal mining and processing. In 1974, St. Joe Minerals acquired a majority interest in Massey. St. Joe Minerals was then acquired by Fluor Corporation in 1981. Since 1987, Massey has been wholly owned by Fluor Corporation and has operated as one of Fluor Corporation's principal business segments.

Industry Overview

Coal is one of the world’s most abundant, efficient, and affordable fuels. A major contributor to the world energy supply, coal currently represents approximately 26% of the world’s primary energy consumption. The primary use for coal is to fuel electrical power generation. In 1999, coal was used to generate 53% of electricity demand in the United States and 37% worldwide.

The United States is the second largest coal producer in the world, exceeded only by China. Other leading coal producers include India, South Africa, and Australia. The United States is the largest holder of coal reserves in the
world, with over 250 years supply at current production rates. U.S. coal reserves are more plentiful than oil or natural gas, with coal representing approximately 95% of the nation's fossil fuel reserves.

U.S. coal production has more than doubled during the last 30 years. In 1999, total coal production was 1.08 billion tons. The primary producing regions were the West (45%), Central Appalachia (25%), Midwest (15%), and Northern Appalachia (13%). Approximately 62% of U.S. coal is produced by surface mining methods. The remaining 38% is produced by underground mining methods that include room and pillar mining and longwall mining.

Coal is used by utilities to generate electricity, by steel companies to make steel products with blast furnaces, and by a variety of industrial users to heat and power foundries, cement plants, paper mills, chemical plants and other manufacturing and processing facilities. Significant quantities of coal are also exported from both east and west coast terminals. The breakdown of 1999 U.S. coal demand, as estimated by Resource Data International, Inc. ("RDI"), is as follows:

<table>
<thead>
<tr>
<th>End Use</th>
<th>Tons (millions)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric generation</td>
<td>919</td>
<td>85.0%</td>
</tr>
<tr>
<td>Industrial users</td>
<td>70</td>
<td>6.5%</td>
</tr>
<tr>
<td>Exports</td>
<td>59</td>
<td>5.5%</td>
</tr>
<tr>
<td>Steel making</td>
<td>26</td>
<td>2.5%</td>
</tr>
<tr>
<td>Residential &amp; commercial</td>
<td>7</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total</td>
<td>1,081</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Coal has long been favored as the electrical generating fuel of choice because of its basic economic advantage. The largest cost component in electrical generation is fuel. This fuel cost, normally measured in dollars per million Btu, is typically lower for coal than competing fuels such as oil and natural gas. The

National Mining Association estimated the relative cost of coal versus other electrical generating fuels in 1999 as follows:

<table>
<thead>
<tr>
<th>Electrical Generation Fuel Type</th>
<th>Cost per million Btu</th>
<th>Cost versus Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Gas</td>
<td>$3.81</td>
<td>2.8 times coal</td>
</tr>
<tr>
<td>Residual Oil</td>
<td>$2.46</td>
<td>1.8 times coal</td>
</tr>
<tr>
<td>Wood &amp; waste</td>
<td>$1.88</td>
<td>1.4 times coal</td>
</tr>
<tr>
<td>Coal</td>
<td>$1.37</td>
<td>1.0 times coal</td>
</tr>
</tbody>
</table>

According to RDI, 19 of the 25 lowest operating cost electric generation power plants in the United States during 1999 were fueled by coal. Coal used as fuel to generate electricity is commonly referred to as "steam coal."

There are several factors other than fuel cost that influence each utility's choice of electrical generation mode, including facility construction cost, access to fuel transportation infrastructure, environmental restrictions, and other factors. The breakdown of U.S. electrical generation by fuel source in 1999, as estimated by RDI, is as follows:
Electrical Generation Source         % of Total Electrical Generation
         ----------------------------         --------------------------------
         Coal                                        53%
         Nuclear                                     21%
         Natural Gas                                 13%
         Hydro                                       8%
         Oil                                         3%
         Other                                       2%
         ---                                        ---
         Total                                      100%
         ===

RDI projects that generators of electricity will increase their demand for coal as demand for electricity increases. Because coal-fired generation is used in most cases to meet base load requirements, coal consumption has generally grown at the pace of electricity demand growth. Demand for electricity has historically grown in proportion to U.S. economic growth.

The United States ranks second among worldwide exporters of coal. Australia is the largest exporter, with other major exporters including South Africa, Indonesia, Canada, Taiwan, and Colombia. U.S. exports have decreased by over 40% since 1992 as a result of increased international competition and the U.S. dollar's strength in comparison to foreign currencies. According to RDI, the usage breakdown for 1999 U.S. exports of 59 million tons was 46% for electrical generation and 54% for steel making. U.S. coal exports were shipped to more than 40 countries. The largest purchaser of steam coal exports was Canada, which took 16 million tons or 59% of total steam exports. The largest purchaser of metallurgical coal exports was Europe, which represented 19 million tons or 61% of total metallurgical exports.

The type of coal used in steel making is referred to as metallurgical coal, and is distinguished by special quality characteristics that include high carbon content, low expansion pressure, low sulfur content, and various coal chemistry attributes. These metallurgical coal reserves are also high in heat content, and therefore are desirable to utilities as fuel for electrical generation. Consequently, metallurgical coal producers have the ongoing opportunity to select the market that provides maximum revenue. The premium price offered by steel makers for the metallurgical quality attributes is typically higher than the price offered by utility coal buyers that value only the heat content. The primary concentration of U.S. metallurgical coal reserves is located in the Central Appalachian region. RDI estimates that the Central Appalachian region supplied 83% of domestic metallurgical coal and 92% of U.S. exported metallurgical coal during 1999.

Industrial users of coal typically purchase high Btu products with the same type of quality focus as utility coal buyers. The primary goal is to maximize heat content, with other specifications like ash content, sulfur content, and size varying considerably among different customers. Because most industrial coal consumers use considerably less tonnage than electric generating stations, they typically prefer to purchase coal that is screened and sized to specifications that streamline coal handling processes. Due to the more stringent size and quality specifications, industrial customers often pay a 10 to 15% premium above utility coal pricing (on comparable quality). According to RDI, the largest buyer of industrial coals is the cement industry, which represented 10 million tons or 14% of total U.S. industrial shipments in 1999. The largest regional supplier to the industrial market sector has historically been Central Appalachia, which supplied 39% of all U.S. industrial coal demand in 1999.
Coal shipped for North American consumption is typically sold at the mine loading facility with transportation costs being borne by the purchaser. Offshore export shipments are normally sold at the ship-loading terminal, with the purchaser paying the ocean freight. According to the National Mining Association, approximately two-thirds of U.S. coal production is shipped via railroads. Final delivery to consumers often involves more than one transportation mode. A significant portion of U.S. production is delivered to customers via barges on the inland waterway system and ships loaded at Great Lakes ports.

Strategy

Massey's primary objective is to continue to enhance its position as one of the premier coal companies in the United States, building upon its leading position in Central Appalachia and its other competitive strengths. Specifically, Massey intends to pursue its strategy in the following ways:

Enhancing Profitability Through Continued Safety Improvement, Productivity Gains and Cost Measurement. Massey has implemented three major initiatives that have enhanced its profitability.

- Its "S-1" program ("Safety is Job One") prescribes rigorous safety standards for all of Massey's operating facilities. Management believes that Massey is one of the leaders in the industry with respect to its safety requirements, which include measures that are more stringent than the industry standard. To ensure that all Massey operations are pursuing compliance with the S-1 safety measures, unannounced safety audits are conducted using third party professionals. These safety measures improve Massey's profitability by lowering workers compensation costs and reducing job inefficiencies caused by using less-skilled substitute workers.

- Its "P-2" program ("Productivity is Job Two") involves the application of best practices, including ideal mining sequence, staffing levels and equipment configuration, at each of Massey's operations. A well-focused time study program is used to continually refine and improve the P-2 guidelines and to confirm effective implementation throughout the organization. These productivity improvement initiatives have been instrumental in allowing Massey mines to achieve productivity performance in thin coal seams that is virtually unprecedented in the Central Appalachian coal industry.

- Its "M-3" program ("Measurement is Job Three") is designed to measure performance, cost and usage, and to clearly and concisely communicate that data to managers who can identify and correct problems. The M-3 program is responsive to the Massey philosophy that supervisors can only effectively manage costs that are measured. Accurate and complete reporting is essential to the M-3 process. Reports include daily profit/loss statements, daily production reports and extremely detailed budgets, in addition to the standard monthly, quarterly and annual financial reporting. Massey employees, who are referred to as members, have the information they need to make objective management decisions. Such information is required to be accurate, timely, accessible and easy to understand while maintaining adequate security and confidentiality.

Investing in New Development Projects. Massey seeks opportunities to maximize the use of its properties and invest in promising development projects.

- Development of the long-term Aracoma longwall mine is now underway in Logan County, West Virginia. In 1998, Massey acquired an idle preparation plant in an acquisition unrelated to the Aracoma reserves. The availability of that plant, which considerably reduced the required project capital, has made it feasible for Massey to develop high capacity, low cost production from this low sulfur coal reserve on the CSX railway system.
Facilities have been upgraded to begin production at the recently acquired Delbarton Mining complex, Massey's newest operation, located in Mingo County, West Virginia. New underground mine developments will service Norfolk Southern railway customers with high quality, low sulfur coal.

These and similar efforts in the planning stages should enable Massey to increase production, better serve its customers and enhance its position in Central Appalachia.

Expanding Use of More Productive Mining Techniques. Massey is engaged in each of the three types of coal mining techniques: "room and pillar" mining (with continuous mining machines), longwall mining and surface mining. Each method is employed where appropriate throughout Massey's operations. Because longwall mining and large-scale surface mining are high-productivity, low-cost mining methods, Massey seeks to increase its use of those methods. A further benefit to Massey's increased use of longwall and surface mining methods is increased reserve recovery, with recovery levels at 70% and 90%, respectively, as compared to 55% recovery for room and pillar mining. Massey has been successful in using longwall mining on thinner coal seams and smaller reserve areas that have historically been mined only with continuous mining techniques. Massey intends to continue to increase its use of these mining methods to further enhance its productivity levels.

Forming Strategic Partnerships with Major Customers. Massey works closely with its customers to develop opportunities for cooperation in order to benefit both Massey and the customer. Massey feels that these initiatives strengthen its relationships with its customers and provide opportunities to increase sales. For example, Massey has worked with some of its industrial clients to assist them in upgrading their coal handling facilities in order to lower their freight and coal handling costs. In return for this assistance, Massey receives coal handling fees and the opportunity to negotiate a coal supply agreement with these customers. Massey also works with its steel manufacturing customers and industrial customers to develop delivery arrangements that lower working capital requirements, primarily by stockpiling coal near a customer's operating facility and delivering on demand. Massey intends to continue to work with its customers to find solutions that benefit both parties.

Pursuing Acquisitions within Central Appalachia. Massey believes that the coal industry in Central Appalachia will undergo increasing consolidation over the coming years. Massey plans to capitalize on its position as the largest low-cost producer by pursuing growth through the acquisition of additional mining facilities. Massey's acquisition strategy has been highly selective, with an emphasis on purchasing properties near Massey's existing facilities in order to take advantage of infrastructure already in place. Massey intends to continue to expand its business through this focused growth strategy.

Competitive Strengths

Massey believes that it is in a strong position to successfully execute its business strategy due to the following competitive strengths:

Massey is the leading producer in Central Appalachia. Massey is the leading coal company in its region with a proven reputation as a skilled, long-term operator. This is an advantage with customers, who look for a reliable supplier, and with land owners, who seek to lease their land to operators likely to develop production from the reserves and generate royalty income. Massey feels that it benefits from concentrating its coal mining activities in Central Appalachia. The region contains the primary U.S. reserves of premium, high volatile metallurgical coal demanded by steel manufacturers. It also holds low sulfur, high Btu coal desired by utilities and industrial customers. Massey is able to produce both types of coal for a wide range of customers.

Massey has developed highly productive operations with an excellent safety record. One of the keys to Massey's success in developing its coal production business has been its ability to reach high levels of productivity at its mines.
while placing primary emphasis on safety. Massey's coal production rose from approximately 20 million tons in 1993 to approximately 38 million tons in 1999. During the same time, Massey has achieved one of the best safety records in the coal industry. Its accident rate (non-fatal days lost) is less than one-half the industry average. These achievements are attributable to the tangible safety improvements that Massey puts in place at each of its facilities.

Massey has a highly capable management team with a proven track record. Massey has a highly capable management team that is familiar with the region in which Massey operates, the mining environment and trends in the industry. Under this leadership, Massey has achieved a strong safety record, expanded its mining facilities, increased production at existing mines, reduced production costs and increased overall profitability. This management team has demonstrated its ability to acquire and integrate new operations and maintain consistent performance at all of its mining facilities.

Massey has demonstrated its ability to successfully execute and integrate acquisitions. Massey has adopted a disciplined acquisition strategy that has helped it to avoid difficulties often associated with rapid expansion. Massey makes selective purchases of mines and reserves that are close to its existing operations. This allows it to use existing infrastructure as the new operations are developed. For example, 18 Massey processing/shipping facilities handle the production from more than 50 mines. Once an operation is acquired, Massey uses its "P-2" strategy to apply its proven productivity-improvement practices to the new facility. This standardized approach allows successful turnaround of acquired operations in a relatively short time frame.

Massey has a strong financial position relative to its competitors and an extended record of profitability. Massey's financial position following the Distribution will support an investment grade credit rating and position Massey as one of the most conservatively capitalized companies in its industry. In addition, Massey has lower employee benefit liabilities than is common in its industry due to its prudent acquisition strategy and effective management of inactive employee benefit costs. Massey's financial position has been strengthened by its long record of substantial profitability. It has achieved earnings growth by holding its margins steady (largely by reducing costs) while expanding its output.

Massey has substantial operating expertise. Massey is the largest underground mining company in the United States in terms of the number of mines operated. Through its many operations, it has developed substantial knowledge and expertise regarding the best effective mining, processing and shipping methods. This knowledge base has been effectively applied through the development of Massey's "P-2" initiative. Standards for best practices have been implemented at each facility to allow each facility to operate at optimal levels. These standards are continually being revised to incorporate additional experiences and technological developments.

Massey has a large, high-quality reserve base. Massey estimates that, at the beginning of fiscal 2000, Massey's reserve base was approximately 2.1 billion tons, a three-fold increase over the past ten years. During that ten-year period, Massey acquired 1.3 billion tons of reserves and only mined 277 million tons of reserves. Management estimates that approximately 68% of Massey's reserves are made up of coal containing less than 1% sulfur. Low sulfur coal is critically important to utility customers seeking to reduce emissions and lower their costs of compliance with the Clean Air Act. In addition, Massey's reserves contain large stores of metallurgical coal, which is required by steel manufacturers for their production.

Massey is a major producer of both steam and metallurgical coal. An advantage of Massey's large reserve base is its ability to process and sell coal of both steam and metallurgical grade. This allows Massey to adjust to changing market conditions and sustain high sales volume by supplying a wide
range of customers.

Massey has strong customer relationships. Massey has developed good working relationships with its broad base of customers. Approximately two-thirds of its sales volume is pursuant to contracts with terms of more than one year. Massey's largest customer, Duke Energy, has been a customer for more than 30 years and in fiscal 1999 accounted for 12% of Massey's total sales revenues.

Massey is not dependent on coal contracts priced above market. Although Massey has a strong base of long-term, coal supply commitments, it is not dependent upon agreements priced materially above the current market. (Long-term commitments are agreements with a term exceeding one year.) Several of Massey's prominent competitors derive the majority of current earnings from coal supply contracts negotiated in the late 1970's and early 1980's when customers were willing to pay a premium for long term tonnage commitments. Those competitors face significant cost reduction pressure over the next few years as their agreements expire. Massey has generally taken the lead in renegotiating agreements of this nature by providing the customer with price relief in exchange for extended term or increased tonnage commitments. Additionally, Massey's contract negotiation strategy over the last several years has been to secure market share without subjecting the customer to price risks in a rapidly changing market. Recent coal supply agreements typically include "price re-opener" language that is designed to keep contract prices in line with the current market while providing the coal producer with certainty of committed sales. The combination of these efforts has resulted in Massey having a substantial level of contracted sales (currently projected at 72% for fiscal year 2000 and 56% for fiscal year 2001), but with Massey customers having prices that generally reflect the current market.

Coal Reserves

Massey estimates that, as of October 31, 1999, Massey had total recoverable reserves of approximately 2.1 billion tons of proven and probable reserves. Reserves are coal deposits that could be economically and legally extracted or produced. "Recoverable" reserves means coal that is recoverable using existing equipment and methods under federal and state laws currently in effect. Approximately 1.4 billion tons of Massey's reserves are classified as proven reserves. This means that these deposits have been substantiated by adequate information, including information derived from exploration, current and previous mining operations, outcrop data and knowledge of mining conditions. The remaining approximately 700 million tons of Massey's reserves are classified as probable reserves. These are deposits of coal which are based on information of a more preliminary or limited extent or character, but which are considered likely.

Massey's reserve estimates are prepared by the engineering and accounting departments of Massey's various operating subsidiaries using technical standards and geologic criteria that are then further adjusted by Massey's internal reserve guidelines.

Reserve estimates are updated annually using geologic data taken from drill holes, adjacent mine workings, outcrop prospect openings and other sources. Coal tonnages are categorized according to coal quality, seam thickness, mineability and location relative to existing mines and infrastructure. In accordance with applicable industry standards, proven reserves are those for which reliable data points are spaced no more than 2,700 feet apart. Probable reserves are those for which reliable data points are spaced 2,700 feet to 7,900 feet apart. Further scrutiny is applied using geological criteria and other factors related to profitable extraction of the coal. These criteria include seam height, roof and floor conditions, yield and marketability.

The following table provides reserve data by state as follows:
When categorized by sulfur content, the reserve breakdown is as follows:

<table>
<thead>
<tr>
<th>Sulfur Content</th>
<th>Tons (millions)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance sulfur or less</td>
<td>954</td>
<td>46%</td>
</tr>
<tr>
<td>Greater than compliance and less than 1%</td>
<td>452</td>
<td>22%</td>
</tr>
<tr>
<td>Greater than 1% sulfur and less than 2%</td>
<td>631</td>
<td>30%</td>
</tr>
<tr>
<td>Greater than 2% sulfur</td>
<td>50</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,087</td>
<td>100%</td>
</tr>
</tbody>
</table>

Massey's reserve holdings include premium quality, high volatile, metallurgical coal reserves. Properties in Massey's operating region are widely recognized as containing metallurgical coal quality with attributes that are in significant demand by the U.S. steel industry. Although these metallurgical coal reserves receive the highest selling price in the current coal market when marketed to steel-making customers, they also represent significant value as an ultra high Btu, low sulfur steam coal for electrical generation. If future market dynamics ever favor the latter alternative, Massey will be well positioned to take advantage of the opportunity. The categorization of Massey's coal reserves as utility/industrial or metallurgical quality is as follows:

<table>
<thead>
<tr>
<th>Coal Type</th>
<th>Tons (millions)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High volatile metallurgical</td>
<td>795</td>
<td>38%</td>
</tr>
<tr>
<td>Low volatile metallurgical</td>
<td>73</td>
<td>3%</td>
</tr>
<tr>
<td>Utility or industrial markets</td>
<td>1,219</td>
<td>59%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,087</td>
<td>100%</td>
</tr>
</tbody>
</table>

As with most coal-producing companies in Central Appalachia, the majority of Massey's coal reserves are controlled pursuant to leases from third party landowners. These leases convey mining rights to the coal producer in exchange for a per ton royalty payment to the lessor. However, a significant portion of Massey's reserves holdings are owned and require no royalty or per ton payment to other parties. The following table summarizes the portion of Massey reserves...
Massey properties have been extensively explored, drilled, analyzed and mapped using cutting-edge computer technology and advanced geological evaluation techniques. The result is a relatively high level of confidence that Massey has accurately measured and identified the reserve quantities, quality specifications and potential geologic risks. This confidence translates to greater consistency and dependability in projecting operating performance and contributes significantly to Massey's ability to operate low cost mining operations.

Mining Methods

Massey produces coal using three distinct mining methods: underground room and pillar, underground longwall and surface/highwall mining.

Use of continuous miner machines in the room and pillar method of underground mining represented approximately 58% of Massey's 1999 production. Massey is a proven leader in the use of this common coal mining technique and has achieved unprecedented productivity performance in relatively thin coal seams.

Production from underground longwall mining operations constituted about 14% of Massey's 1999 production. Massey's Upper Big Branch Mine is ranked (per 1999 Department of Labor productivity statistics) as the most productive longwall mine in the Eastern United States. Massey began operating two additional longwall units in 1999 and 2000 and has a fourth projected for start up in early 2001.

Surface mining represented approximately 28% of Massey's 1999 coal production. Massey has invested significant capital in establishing state-of-the-art, large-scale surface mines in Boone and Nicholas counties of West Virginia. Using 53-cubic-yard electric shovels for excavation, and 320-ton rock trucks for haulage, these mines clearly demonstrate Massey's ability to produce high volumes of low cost, high quality, surface-mined coal. Other Massey surface mines are smaller in scale. Massey surface mines also use cutting-edge highwall mining systems to produce low cost coal from high overburden areas. Massey has established record-breaking productivity in the use of these highwall mining systems, as confirmed by the manufacturer.

Mining Operations

Massey currently has eighteen distinct resource groups or mining complexes, including thirteen in West Virginia, four in Kentucky and one in Virginia. These complexes receive, blend, process and ship coal that is produced from one or more mines, with a single complex handling the coal production of as many as eight distinct underground or surface mines. These mines have been developed at strategic locations in close proximity to the Massey preparation plants and rail shipping facilities. Coal is transported from Massey's mining complexes to customers by means of railroad cars or trucks, with rail shipments representing

<table>
<thead>
<tr>
<th>Method of Reserve Control</th>
<th>Tons</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned reserves</td>
<td>523</td>
<td>25%</td>
</tr>
<tr>
<td>Leased reserves</td>
<td>1,564</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td>2,087</td>
<td>100%</td>
</tr>
</tbody>
</table>
approximately 92% of 1999 coal shipments.

The following table provides key summary information on all Massey mining complexes that were active in 1999.

## Massey Resource Groups

<table>
<thead>
<tr>
<th>Resource Group Name</th>
<th>Location</th>
<th>1999 Production(1)</th>
<th>1999 Shipments(1)</th>
<th>Coal Quality</th>
<th>Reserves (000's of Tons)</th>
<th>Year Established or Acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delbarton</td>
<td>Mingo County, WV</td>
<td>0</td>
<td>0</td>
<td>Low Sulfur Utility</td>
<td>259,000</td>
<td>1999</td>
</tr>
<tr>
<td>Eagle Energy</td>
<td>Boone County, WV</td>
<td>860</td>
<td>860</td>
<td>Low Sulfur Industrial</td>
<td>4,000</td>
<td>1996</td>
</tr>
<tr>
<td>Elk Run</td>
<td>Boone County, WV</td>
<td>4,700</td>
<td>7,600</td>
<td>High Vol Met</td>
<td>165,000</td>
<td>1978</td>
</tr>
<tr>
<td>Green Valley</td>
<td>Nicholas County, WV</td>
<td>540</td>
<td>540</td>
<td>Low Sulfur Industrial</td>
<td>8,000</td>
<td>1996</td>
</tr>
<tr>
<td>Independence</td>
<td>Boone County, WV</td>
<td>4,500</td>
<td>2,600</td>
<td>Low Sulfur Utility</td>
<td>62,000</td>
<td>1994</td>
</tr>
<tr>
<td>Knox Creek</td>
<td>Tazewell County, VA</td>
<td>800</td>
<td>800</td>
<td>Low Sulfur Utility</td>
<td>51,000</td>
<td>1997</td>
</tr>
<tr>
<td>Logan County</td>
<td>Logan County, WV</td>
<td>510</td>
<td>510</td>
<td>Low Sulfur Utility</td>
<td>92,000</td>
<td>1998</td>
</tr>
<tr>
<td>Long Fork</td>
<td>Pike County, KY</td>
<td>0</td>
<td>1,400</td>
<td>Low Sulfur Utility</td>
<td>62,000</td>
<td>1991</td>
</tr>
<tr>
<td>Marfork</td>
<td>Raleigh County, WV</td>
<td>2,700</td>
<td>7,300</td>
<td>Low Sulfur Utility</td>
<td>115,000</td>
<td>1993</td>
</tr>
<tr>
<td>Martin County</td>
<td>Martin County, KY</td>
<td>3,900</td>
<td>3,900</td>
<td>Low Sulfur Utility</td>
<td>79,000</td>
<td>1969</td>
</tr>
<tr>
<td>New Ridge</td>
<td>Pike County, KY</td>
<td>0</td>
<td>320</td>
<td>Low Sulfur Utility</td>
<td>0</td>
<td>1982</td>
</tr>
<tr>
<td>Nicholas Energy</td>
<td>Nicholas County, WV</td>
<td>2,100</td>
<td>2,100</td>
<td>Low Sulfur Utility</td>
<td>119,000</td>
<td>1997</td>
</tr>
<tr>
<td>Omar</td>
<td>Boone County, WV</td>
<td>0</td>
<td>290</td>
<td>Low Sulfur Utility</td>
<td>35,000</td>
<td>1954</td>
</tr>
<tr>
<td>Performance</td>
<td>Raleigh County, WV</td>
<td>5,300</td>
<td>1,600</td>
<td>Low Sulfur Utility</td>
<td>48,000</td>
<td>1994</td>
</tr>
<tr>
<td>Progress</td>
<td>Boone County, WV</td>
<td>3,500</td>
<td>1,400</td>
<td>Low Sulfur Utility</td>
<td>79,000</td>
<td>1998</td>
</tr>
<tr>
<td>Rawl</td>
<td>Mingo County, WV</td>
<td>2,900</td>
<td>2,400</td>
<td>Low Sulfur Utility</td>
<td>95,000</td>
<td>1974</td>
</tr>
<tr>
<td>Sidney</td>
<td>Pike County, KY</td>
<td>5,200</td>
<td>3,680</td>
<td>Low Sulfur Utility</td>
<td>133,000</td>
<td>1984</td>
</tr>
<tr>
<td>Stirrat</td>
<td>Logan County, WV</td>
<td>0</td>
<td>360</td>
<td>Low Sulfur Utility</td>
<td>42,000</td>
<td>1993</td>
</tr>
<tr>
<td>Other/Unassigned</td>
<td>N/A</td>
<td>240</td>
<td>N/A</td>
<td>N/A</td>
<td>641,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>37,510</td>
<td>37,900</td>
<td></td>
<td>2,087,000</td>
<td></td>
</tr>
</tbody>
</table>

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(1) For purposes of this table, coal production has been allocated to the Resource Group where the coal is mined, rather than the Resource Group where the coal is processed and shipped. Several Massey Resource Groups provide processing and rail shipping services for coal mined at other nearby Massey operations.

(2) Reserves allocated to individual mining complexes include both assigned reserves and unassigned reserves that are accessible from the established operations.

Most Massey mining operations have been designed to avoid trucking and allow direct conveyor transportation of coal from the mine face or surface pit to the coal processing plant. These conveyor transportation systems are well designed, computer monitored, high capacity structures with very low operating cost. While trucking of coal remains an integral part of the transportation system for some operations, Massey has made a focused effort, and invested considerable capital, to minimize use of coal trucks on public highways. In many instances, production from one Massey operating subsidiary is directed to another operating subsidiary of closer proximity for processing in order to
avoid trucking or re-handling of coal. The obvious reasons to minimize use of coal trucks include both improving public safety and eliminating avoidable cost.

West Virginia Resource Groups

Delbarton. The Delbarton complex processes coal produced by an underground room and pillar mine in the Lower Cedar Grove seam. Production from this mine, located adjacent to the Delbarton complex, is transported to the Delbarton preparation plant via overland conveyor. The Delbarton preparation plant can process 800 tons per hour of raw coal. The clean coal product is shipped to customers via the Norfolk Southern railway in unit trains of up to 110 railcars.

Eagle Energy. The Eagle Energy complex is currently inactive but has historically processed coal production from the adjacent underground longwall mine in the Eagle seam. The economically accessible Eagle seam reserves were depleted in January 2000 and the operation was idled. The Eagle Energy preparation plant is a modern facility with a rated feed capacity of 750 tons per hour. Customers can be served via CSX railway shipments loaded in unit trains of up to 90 railcars. Plans are now under review to re-activate this complex using production from new mines in seams above the Eagle seam.

Elk Run. The Elk Run complex is Massey's largest shipper of coal. Elk Run produces coal from five underground room and pillar mines that are belted directly to the preparation plant. Elk Run also has a large surface mine that ships direct to customers via the Kanawha River docks. Additionally, the Elk Run complex processes coal for shipment that is produced from two other Massey resource groups. The Independence production shipped from Elk Run includes underground mines in the Upper Cedar Grove and the Hernshaw seams. The Twilight surface mine in the Progress resource group transports all of its production to the Elk Run facilities via underground conveyor system. The Elk Run preparation plant has a processing capacity of 2200 tons per hour. Customer shipments are loaded on the CSX rail system in unit trains of up to 150 railcars.

Green Valley. The Green Valley complex specializes in premium quality coals servicing industrial customers in a variety of industries. The Green Valley preparation plant receives coal via truck that is produced from two underground room and pillar mines in the Sewell seam. The Green Valley preparation plant has a processing capacity of 600 tons per hour. The rail loading facility services customers on the CSX rail system with unit train shipments of up to 75 railcars.

Independence. The Independence complex processes coal from one large underground longwall mine and one room and pillar mine. Production from both mines is transported via underground conveyor system directly to the Independence preparation plant. Independence has five additional underground mining operations that produce coal for processing and shipment by other Massey resource groups. The Independence plant has a processing capacity of 1400 tons per hour. Customers are served via rail shipments on the CSX rail system in unit trains of up to 150 railcars.

Logan County. The Logan County complex processes coal through the Bandmill preparation plant from four surface mining operations and one underground mine. All four surface mines deliver coal to the Bandmill plant via truck. The Aracoma underground mine, which belts coal directly to the Bandmill plant, currently produces with two continuous miner sections but plans call for a future longwall installation. The Bandmill preparation plant completed a major renovation this year and has a processing capacity of 1200 tons per hour. The rail loading facility services customers via the CSX rail system with unit train shipments of up to 150 cars.

Marfork. The Marfork complex is Massey's leading shipper of premium metallurgical coal. The largest production source for the Marfork complex is the Upper Big Branch underground longwall mine of Massey's Performance resource
group. Other production sources for the Marfork complex include five underground room and pillar mines. All Marfork production sources are belted directly to the preparation plant via conveyor systems. The Marfork preparation plant is a unique, high capacity, processing facility that processes 2300 tons per hour. All customers are serviced via the CSX rail system with unit trains of up to 150 railcars.

Nicholas Energy. The Nicholas Energy complex processes coal from two large surface mines and two underground room and pillar mines. All coal from the underground mines, as well as the portion of surface mined coal requiring processing, is transported to the Power Mountain preparation plant via overland conveyor system. The Power Mountain plant was upgraded in 1999, and currently has a processing capacity of 1200 tons per hour. All coal shipments are loaded into rail cars for delivery via the Norfolk Southern railway in unit trains of up to 140 railcars.

Omar. The Omar mining complex processes coal from adjacent mining operations of Massey's Independence and Elk Run resource groups. All production sources are transported via underground conveyor system to the Omar preparation plant. The Omar plant can process 800 tons per hour. A new rail loading facility was completed in May 2000. Omar can now service its CSX rail system customers with unit train shipments of up to 150 railcars.

Performance. The Performance mining complex includes the Upper Big Branch Mine and the Goals preparation plant. The Upper Big Branch underground mine is a highly successful longwall operation in the Eagle seam, with most production being processed and shipped from Massey's Marfork resource group. The Goals preparation plant processes the balance of the Upper Big Branch mine's production, as well as production from adjacent underground mines of Massey's Independence resource group. The Goals preparation plant can process 800 tons per hour. The rail loading facility services CSX railway customers with unit trains of up to 90 railcars.

Progress. The Progress mining complex includes the Twilight MTR surface mine, coal handling system and stoker plant. All production is processed through a high-tech coal handling system and transported via underground conveyor to Massey's Elk Run resource group for rail shipment.

Rawl. The Rawl complex includes six underground room and pillar mines and the Sprouse Creek Processing plant. Four mines transport coal to the Sprouse Creek plant--three via trucks and one via short-tagged rail cars. The other two mines produce coal that is processed for shipment by Massey's Stirrat resource group. The Sprouse Creek preparation plant has a throughput capacity of 1450 tons per hour. Customers are serviced via the Norfolk Southern railway with unit trains of up to 150 railcars.

Stirrat. The Stirrat complex processes coal produced by the adjacent Diamond Energy and Spring Branch underground mines of Massey's Rawl resource group. All production is transported via truck to the Stirrat preparation plant. The plant has a rated capacity of 500 tons per hour. Customers are serviced via the CSX rail system with unit trains of up to 100 railcars.

Kentucky Resource Groups

Long Fork. The Long Fork complex processes coal produced by the adjacent Solid Energy mine of Massey's Sidney resource group. All production is transported via overland conveyor system to the Long Fork preparation plant. The Long Fork plant has a rated capacity of 1100 tons per hour. The rail loading facility services customers on the Norfolk Southern railway with unit trains of up to 150 railcars.

Martin County. Production at the Martin County complex is sourced from two surface mines and two underground room and pillar mines. Approximately 70% of all surface mined production is saleable without processing and is shipped to customers at the Ohio/Big Sandy river docks via truck. Both the underground
mine production and the portion of surface mine production requiring processing are transported to the preparation plant via underground conveyor system. The Martin County preparation plant has a throughput capacity of 1500 tons per hour. All coal processed through the preparation plant is shipped via the Norfolk Southern railway in unit trains of up to 125 railcars. Because of a partial failure at the Martin County preparation plant's impoundment on October 11, 2000, the preparation plant is currently idled for an indefinite period. Raw coal production that requires processing (approximately 40% of total Martin County production) is being shipped to the Sprouse Creek plant of Massey's Rawl resource group for processing and shipment on to customers.

New Ridge. The New Ridge complex processes coal that is transported via truck from mining operations of Massey's Sidney resource group. The New Ridge preparation plant has a throughput capacity of 800 tons per hour. All coal is loaded for shipment to customers via the CSX rail system in unit trains of up to 100 railcars.

Sidney. The Sidney complex includes five underground room and pillar mines and the Big Creek preparation plant. All mines transport production via underground conveyor to the Big Creek plant, except one mine that belts coal to Massey's Long Fork resource group for processing and shipment. The Big Creek preparation plant has a throughput capacity of 1500 tons per hour. The Sidney rail loading facility services customers on the Norfolk Southern rail system with unit trains of up to 140 railcars.

Virginia Resource Group

Knox Creek. The Knox Creek complex processes coal from two underground room and pillar mines. Production from the Tiller No. 1 mine is belted directly to the Knox Creek preparation plant, whereas production from the Kennedy mine is transported via truck. The Knox Creek plant has a feed capacity of 850 tons per hour. The rail loading facility services customers on the Norfolk Southern rail system with unit trains of up to 100 railcars.

Other Related Operations

Massey has other related operations and activities in addition to its normal coal production and sales business. The following business activities are included in this category:

Appalachian Synfuel Plant: Appalachian Synfuel, LLC ("Appalachian Synfuel") has a synthetic fuel manufacturing facility located adjacent to Massey's Marfork complex in Boone County, West Virginia. This facility converts coal products to synthetic fuel and has operated since June 1998. Appalachian Synfuel has obtained a private letter ruling from the IRS that production from this synfuel facility qualifies the owner for tax credits pursuant to Section 29 of the Code. Massey's Marfork subsidiary sells the coal feedstock to Appalachian Synfuel, and also operates the synthetic fuel manufacturing facility pursuant to a contract with Appalachian Synfuel. Massey's sales organization markets the synthetic fuel and coordinates shipments to Appalachian Synfuel's customers. Synthetic fuel sales during fiscal year 1999 were approximately 300,000 tons. Certain process enhancements initiated in June 2000 may allow manufacture of synthetic fuel at a significantly increased rate. Appalachian Synfuel is owned 95% by Fluor Corporation and 5% by Marfork. Fluor Corporation's ownership interest will be transferred to Massey in conjunction with the Distribution.

Westvaco Coal Handling Facility: Massey subsidiaries own and operate the coal unloading, storage and conveying facilities at Westvaco Corporation's paper manufacturing facility in Covington, Virginia ("Westvaco CHF"). The Westvaco CHF was constructed by Massey in 1992 as a means of reducing coal transportation and handling costs for Westvaco Corporation, a long term industrial coal customer. The Westvaco CHF operating agreement extends through 2007, and provides that Massey be paid a per ton fee (annually adjusted) for coal handling services. The annual coal throughput is approximately 500,000 tons.
Other: In addition to the business activities described above, Massey has two regional land management offices that focus on opportunities to generate income from non-strategic coal reserves and other assets. Most of these non-strategic assets have been acquired by Massey as incidental items connected to larger coal property transactions. The primary activities include:

- Leasing of non-strategic lands and/or coal reserves to other coal companies.
- Sale of coal reserves to third parties.
- Sale of timber, gas & oil rights, and surface properties to third parties.

Massey also generates ongoing income through ownership of over 80 natural gas wells in Southern West Virginia.

Marketing and Sales

The Massey marketing and sales force is based in the corporate office at Richmond, Virginia. Total staffing of 22 members includes sales managers, distribution/traffic managers, technical support and administrative personnel. Sales management is organized along product lines of utility, metallurgical and industrial sales—as opposed to the geographic segregation of responsibilities that is more common among Massey competitors.

During the fiscal year ended October 31, 1999, Massey sold 37.9 million tons of produced coal for total revenues of $1.08 billion. The breakdown by market served was 52% utility, 39% metallurgical and 9% industrial. Sales were concluded with over 140 customers. Export shipments (including Canada) represented approximately 15% of 1999 tonnage sold. Massey's 1999 export shipments serviced customers in 12 countries across North America, South America, Europe and Asia.

Technical guidance on optimizing coal blends and other coal consumption issues is provided to customers by Massey's technical group. The technical specialists work directly with the sales force to meet the needs of current and potential customers. These highly skilled individuals have established credentials in petrography, coal chemistry and coal analysis techniques. Customers often seek input from Massey's technical group on issues such as improving coke oven performance or identifying lower cost coals to meet a particular market opportunity.

The Massey marketing and sales group has established several highly successful partnering arrangements with customers wherein services other than coal supply are provided on an ongoing basis. Examples of such partnership arrangements include:

- At the Westvaco paper manufacturing plant in Covington, Virginia, a Massey subsidiary owns and operates the coal unloading and storage facilities. As consideration for performing this service, the Massey subsidiary receives a per ton fee and also secures the right to supply 100% of the coal required by this plant.

- At two large steel companies, one synthetic fiber manufacturer and one tobacco processing plant, a Massey subsidiary coordinates shipment of coal to the customer's stockpile, maintains ownership of the coal inventory on site and sells tonnage to the customer as it is consumed.

Other such partnering services are provided periodically in response to the current needs of each individual customer.

Distribution
Massey employs transportation specialists who negotiate freight and terminal agreements with various providers, including railroads, barge lines, steamship lines, bulk motor carriers and terminal facilities. Transportation specialists also coordinate with customers, mining facilities and transportation providers to establish shipping schedules that meet the customer's needs. These specialists assist the company in providing quality service to its customers.

Massey's 1999 shipments of 37.9 million tons were loaded from 18 mining complexes. Rail shipments constituted 92% of total shipments, with 37% loaded on the Norfolk Southern and 55% loaded on the CSX. The 8% balance was shipped from Massey mining complexes via truck.

Approximately 18% of Massey's production is delivered via the inland waterway system. Coal is transported by rail or truck to docks on the Ohio, Big Sandy and Kanawha Rivers and then ultimately transported by barge to electric utilities, integrated steel producers and industrial consumers served by the inland waterway system. Massey also moves approximately 15% of its production to Great Lakes Ports for transport beyond to various U.S. and Canadian customers.

Customers

Massey has coal supply commitments with a wide range of electric utilities, steel manufacturers and industrial customers. The majority of Massey's customers purchase coal for terms of one year or longer, but Massey also supplies coal on a spot basis for some of its customers. Massey's biggest client, Duke Energy, accounted for 12% of Massey's total 1999 revenues. Massey has been serving this customer for over thirty years and has agreements in place to continue to supply coal through June 2003.

Coal Contracts

As is customary in the coal industry, Massey has entered into long-term contracts (of terms exceeding one year) with many of its customers. These arrangements allow customers to secure a supply for their future needs and provide Massey with greater predictability of sales volume and sales prices. During fiscal years 2000 and 2001, Massey's sales pursuant to long-term sales arrangements are projected to be 72% and 56%, respectively.

By offering coal of both metallurgical and steam grades, Massey is able to serve a diverse customer base. This market diversity allows Massey to adjust to changing market conditions and sustain high sales volumes.

The terms of Massey's long-term contracts are a result of extensive negotiations with the customer. As a result, the terms of these contracts vary with respect to price adjustment mechanisms, pricing terms, permitted sources of supply, force majeure provisions, quality adjustments and other parameters. Most of the contracts contain price adjustment mechanisms that allow for changes to prices based on statistics from the U.S. Department of Labor. Contracts contain specifications for coal quality, which may be especially stringent for steel customers. Many of these contracts also specify the approved locations from which the coal is to be mined.

Massey is continuously engaged in efforts to renew or extend contracts that are scheduled to expire. Although Massey cannot guarantee that it will be able to renew or extend these contracts, Massey has frequently been successful in doing so in the past. Many of the principal terms of the contracts are adjusted in the negotiation of the renewal or extension.

Competition

The coal industry in the United States is highly competitive. Massey competes with other large producers and many small coal producers. Massey competes with other producers primarily on the basis of price, coal quality, transportation cost and reliability of supply. Continued demand for coal is
also dependent on factors outside Massey's control, including demand for electricity, environmental and governmental regulations, technological developments and the availability of alternative fuel sources.

Employees and Labor Relations

As of July 31, 2000, Massey had 3,470 employees, including 141 employees affiliated with the United Mine Workers of America. Relations with employees are generally good, and there have been no material work stoppages in the past ten years.

Legal Proceedings

Massey is involved in numerous legal proceedings in the ordinary course of its business. Except as described below, Massey does not believe that the outcome of any of these legal proceedings could have a material adverse effect on its business, financial condition or results of operations.

Big Sandy Dispute

Sidney Coal Company, Inc. ("Sidney"), a wholly-owned subsidiary of Massey, is the sublessee of Cliffs Mining Company ("Cliffs") under two coal leases from Big Sandy Company, L.P. ("Big Sandy"). The leases cover coal reserves in Pike County, Kentucky, and include active mining areas and reserves for Sidney's Clean Energy and Freedom Energy Mines. Big Sandy claims that Sidney breached the terms of the leases by underpaying certain coal royalties and that Big Sandy has terminated both leases. Sidney and Cliffs deny that Big Sandy was underpaid any royalties and deny that Big Sandy has terminated, or is entitled to terminate, the leases. Big Sandy filed an action in the Fayette Circuit Court, Lexington, Kentucky, seeking a declaration that the leases have been terminated and seeking to recover unpaid royalties in the amount of approximately $100,000 with interest through December 31, 1996, plus additional royalties and interest through the date of judgment. Cliffs successfully sought an order compelling arbitration and the case is currently being heard by a panel of three arbitrators. Sidney has continued to mine and pay royalties throughout the controversy based upon its interpretation of the leases. Big Sandy has made no effort to evict Sidney from the property or to compel it to cease mining although Big Sandy obtained an order from the Fayette Circuit Court permitting it to pay the royalties received from Sidney into escrow pending the outcome of the arbitration. Sidney believes that it has paid all royalties in accordance with the terms of the leases and that it has good defenses to the claim that the leases have been terminated.

Harman Litigation

Harman Mining Corporation and certain of its affiliates (collectively "Harman") have instituted two civil actions against Massey or its present or former subsidiaries. In June 1998, Harman filed a breach of contract action against Wellmore Coal Corporation ("Wellmore"), a former Massey subsidiary, in Buchanan County, Virginia Circuit Court. Harman claims that Wellmore breached a coal supply agreement, pursuant to which Harman sold coal to Wellmore, by declaring a force majeure event and reducing the amount of coal to be purchased from Harman as a result thereof. Wellmore claimed force majeure when its major customer was forced to close its Pittsburgh coke plant due to regulatory action. In May 2000, in a trial to determine liability only, Harman received a jury verdict that Wellmore breached the contract. The damages phase of the trial was held in August 2000. On August 24, 2000, Harman received a jury verdict against Wellmore assessing $6 million in damages. Massey's subsidiary, Knox Creek Coal Corporation, has assumed the defense of this action under the terms of the stock purchase agreement by which it sold the stock of Wellmore. The adverse determination on liability and damages will be appealed. Massey believes that it has several grounds for reversal on appeal.

Additionally, Harman and its sole shareholder, Hugh Caperton, filed a
separate action against Massey and certain subsidiaries in Boone County, West Virginia Circuit Court, alleging that Massey and its subsidiaries tortiously interfered with Harman's contract with Wellmore and, as a result, caused Harman to go out of business. Massey has filed a notice to remove this action to federal court. The plaintiffs seek unspecified compensatory damages and punitive damages. Massey believes that compensatory damages, if any, are duplicative of any damages that may be awarded in the contract action, and are limited by the same factors as in the contract action. Massey is defending this action vigorously and believes that it has numerous valid defenses to the claims.

Environmental Protection Order

On June 27, 2000, the West Virginia Division of Environmental Protection issued an administrative order to one of Massey's subsidiaries, Elk Run Coal Company, requiring Elk Run either to suspend operations for three days beginning July 17, 2000 or expend $100,000 on local community improvement projects. The order was based on alleged violations of the surface mining laws relating to dust, and Elk Run appealed the order to the West Virginia Surface Mining Board. On October 25, 2000 the West Virginia Surface Mining Board upheld the order. Elk Run intends to timely appeal the Surface Mining Board's order to the Kanawha Circuit Court, Charleston, West Virginia. Elk Run believes that it has good defenses to the violations.

Martin County Impoundment Discharge

On October 11, 2000, a partial failure of Martin County Coal Corporation's Big Branch impoundment released approximately 230 million gallons of coal slurry from the impoundment into adjacent underground mine workings. The slurry then discharged into two tributary streams of the Big Sandy River in eastern Kentucky. No one was injured in the discharge. Clean up efforts began immediately and are continuing. Certain downstream businesses have indicated an intention to assert claims for business interruption alleged to have been caused by the existence of coal slurry in the Big Sandy River. The State of Kentucky has issued various notices of violation related to the discharge and ordered remedial measures. Fines and penalties have not yet been assessed. Massey has pollution insurance coverage and believes that such insurance will cover clean up costs and third party claims arising out of this event. Massey has not as yet received a formal coverage determination from its insurance carriers.

As a result of the discharge described above, the Martin County preparation plant is currently idled. It is still uncertain as to when or under what conditions the plant will be able to resume operations.

At this early stage, it is not possible to accurately predict the full scope of the cleanup costs, related liabilities or insurance recoveries and, therefore, no assurance can be given at this time that the Martin County discharge will not have a material adverse impact on Massey's business.

Regulation

The coal mining industry is subject to regulation by federal, state and local authorities. Massey tries to conduct its operations in compliance with all applicable federal, state and local laws and regulations. However, because of extensive and comprehensive regulatory requirements, violations during mining operations are not unusual in the industry and, notwithstanding compliance efforts, Massey does not believe such violations can be eliminated completely. None of the violations to date or the monetary penalties assessed have been material.

While it is not possible to quantify the costs of compliance with all applicable federal and state laws, those costs have been significant and Massey expects them to continue to be significant. Compliance with these laws has
Mining Permits and Approvals. Numerous governmental permits or approvals are required for mining operations. Massey may be required to prepare and present to federal, state or local authorities extensive data pertaining to the effect or impact that any proposed mining operations may have upon the environment. The requirements imposed by any of these authorities may be costly and time-consuming and may delay commencement or continuation of mining operations. Future legislation and regulations, as well as future interpretations of existing laws, may result in substantial increases in equipment and operating costs and delays, interruptions or a termination of operations, the extent of which cannot be predicted.

Mine Health and Safety Laws. Stringent safety and health standards have been imposed by federal legislation since 1969 when the Federal Coal Mine Health and Safety Act of 1969 was adopted. The Federal Mine Safety and Health Act of 1977, which significantly expanded the enforcement of health and safety standards of the Mine Health and Safety Act of 1969, imposes comprehensive safety and health standards on all mining operations. In addition, as part of the Mine Health and Safety Act of 1969 and the Mine Safety and Health Act of 1977, the Black Lung Act requires payments of benefits by all businesses conducting current mining operations to coal miners with black lung and to some survivors of a miner who dies from this disease. Most of the states in which Massey operates have state programs for mine safety and health regulation and enforcement. In combination, federal and state safety and health regulation in the coal mining industry is perhaps the most comprehensive and pervasive system for protection of employee safety and health affecting any segment of U.S. industry. This regulation has a significant effect on Massey's operating costs. However, Massey's competitors in all of the areas in which it operates are subject to the same degree of regulation.

One of Massey's goals is to achieve excellent health and safety performance as measured by accident frequency rates and other measures. Massey believes that attainment of this goal is inherently tied to the attainment of productivity and financial goals. Massey tries to achieve this goal by:

- training employees in safe work practices;
- openly communicating with employees;
- establishing, following and improving safety standards;
- involving employees in establishing safety standards; and
- recording, reporting and investigating all accidents, incidents and losses to avoid reoccurrences.

Black Lung Legislation. The Black Lung Act levied a tax on production of $1.10 per ton for deep-mined coal and $0.55 per ton for surface-mined coal, but not to exceed 4.4% of the sales price, in order to compensate miners who are totally disabled due to black lung and some survivors of miners who died from the disease and who were last employed as miners prior to 1970 or subsequently where no responsible coal mine operator has been identified for claims. In addition, the Black Lung Act provides that some claims for which coal operators had previously been responsible will be obligations of the government trust funded by the tax. For miners last employed as miners after 1969 who are determined to have contracted black lung, Massey self insures against potential cost using actuarially determined estimates of the cost of present and future claims. Massey is also liable under state statutes for black lung claims.

In the past, legislation that would favor black lung claimants in various ways has been introduced in Congress, but not enacted. If this or similar legislation is passed, the number of claimants who are awarded benefits could substantially increased the cost of coal mining, but is, in general, a cost common to all domestic coal producers.
significantly increase. Massey cannot provide any assurance that such proposed legislation or other proposed changes in black lung legislation will not have an adverse effect on its business.

The U.S. Department of Labor has issued proposed amendments to the regulations implementing the federal black lung laws which, among other things, establish a presumption in favor of a claimant's treating physician and limit a coal operator's ability to introduce medical evidence regarding the claimant's medical condition. If adopted, the amendments could have an adverse impact on Massey, the extent of which cannot be accurately predicted.

Workers' Compensation. Massey is required to compensate employees for work-related injuries. Several states in which Massey operates consider changes in workers compensation laws from time to time. Such changes, if enacted, could adversely affect Massey's financial condition and results of operations.

Surface Mining Control and Reclamation Act. The Surface Mining Control and Reclamation Act establishes operational, reclamation and closure standards for all aspects of surface mining as well as many aspects of deep mining. The act requires that comprehensive environmental protection and reclamation standards be met during the course of and upon completion of mining activities. Permits for surface mining operations must be obtained from the federal Office of Surface Mining Reclamation and Enforcement or, where state regulatory agencies have adopted federally approved state programs under the act, the appropriate state regulatory authority. All states in which Massey's active mining operations are located have achieved primary jurisdiction for enforcement of the act through approved state programs.

The Surface Mining Control and Reclamation Act and similar state statutes require, among other things, that mined property be restored in accordance with specified standards and approved reclamation plans. The act generally requires Massey to restore the surface to approximate the original contours as contemporaneously as practicable with the completion of surface mining operations. Federal law and some states also impose on mine operators the responsibility for repairing or compensating for damage occurring on the surface as a result of subsidence due to underground mining. In addition, the Abandoned Mine Lands Act, which is part of the Surface Mining Control and Reclamation Act, imposes a tax on all current mining operations, the proceeds of which are used to restore mines closed before 1977. The maximum tax is $0.35 per ton on surface-mined coal and $0.15 per ton on underground-mined coal. Massey accrues for the costs of final mine closure, including the cost of treating mine water discharge where necessary, over the estimated useful mining life of the property and for current mine disturbance which will be reclaimed prior to final mine closure. The reclamation costs, mine-closing costs and other environmental liability accruals were $98.9 million at October 31, 1999. The amount that was included as an operating expense for the year ended October 31, 1999 was $10.3 million, while the related cash expenditure for such liability in such period was $11.4 million. Although Massey's management believes it is making adequate provisions for all expected reclamation and other costs associated with mine closures, future operating results would be adversely affected if such accruals were later determined to be insufficient.

Under the Surface Mining Control and Reclamation Act, responsibility for unabated violations, unpaid civil penalties and unpaid reclamation fees of independent contract mine operators can be imputed to other companies which are deemed, according to the regulations, to have "owned" or "controlled" the contract mine operator. Sanctions against the "owner" or "controller" are quite severe and can include being blocked from receiving new permits and revocation of any permits that have been issued since the time of the violations or, in the case of civil penalties and reclamation fees, since the time such amounts became due. Massey is not aware of any currently pending or asserted claims relating to the "ownership" or "control" theories discussed above. However, Massey cannot provide any assurance that claims will not develop in the future.

The Ohio River Valley Environmental Coalition, Inc. and the Hominy Creek
Preservation Association, Inc. filed suit against the West Virginia Division of Environmental Protection ("DEP") in the Southern District of West Virginia, in Ohio River Valley Environmental Coalition, Inc., et. al. v. Michael C. Castle, Civil Action No. 3:00-0058, U. S. District Court, S. D. W.V., alleging that the DEP issues permits to mining operations without complying with the Surface Mining Control and Reclamation Act. Particularly, the plaintiffs allege that DEP does not properly consider the hydrologic effects of mining operations in issuing permits and request that no further permits be issued for the Hominy Creek and Island Creek watersheds until this deficiency is remedied by requiring more thorough Cumulative Hydrologic Impact Assessments. Massey has mining operations in these watersheds and could be adversely affected by a long-term delay in permitting if the court rules against DEP. On June 22, 2000, the court temporarily enjoined a permit for refuse disposal at one of Massey's subsidiaries in Hominy Creek, but allowed another refuse disposal permit for the same operation to go forward on a conditional basis. The permit that was allowed to go forward should allow Massey an additional 18 to 24 months of refuse disposal before more permitted refuse area is needed. Massey is not a defendant in the lawsuit, but its subsidiary intervened to protect its interests in the injunction proceedings. The court should reach a decision on the merits of the case in the latter part of 2000 or in the first half of 2001.

Clean Air Act. The Clean Air Act and corresponding state laws extensively regulate emissions into the air of particulate matter and other substances, including sulfur dioxide, nitrogen oxides and mercury. In order to comply with limitations on emissions, Massey's customers may switch to other fuels or coal from other regions, which could have a material adverse effect on Massey's business, financial condition and results of operations.

The Clean Air Act affects coal mining operations by requiring utilities that currently are major sources of nitrogen oxides in moderate or higher ozone nonattainment areas to install reasonably available control technology. In July 1997, the U.S. EPA adopted new, more stringent National Ambient Air Quality Standards for particulate matter and ozone. In May 1999, the U.S. Court of Appeals for the District of Columbia Circuit remanded both standards to the EPA, finding that the EPA relied on an interpretation of the Clean Air Act that reflects an unconstitutional delegation of power. The court also found that the EPA erred when it refused to consider the "disbenefits" associated with the ozone standard. The court vacated the revised particulate matter standard on the ground that the EPA's choice of a coarse particulate matter indicator was arbitrary. In May 2000, the U.S. Supreme Court granted petitions for a writ of certiorari on the unconstitutional delegation and enforcement issues and on consideration of cost benefits analysis in setting National Ambient Air Quality Standards. The specific provisions of these standards could be revised by the EPA.

In October 1998, the EPA issued its final rule entitled "Finding of Significant Contribution and Rulemaking for Certain States in the Ozone Transport Assessment Group Region for Purposes of Reducing Regional Transport of Ozone" rule (the NOx SIP Call rule). In the final rule, the EPA found that sources in 22 states and the District of Columbia emit NOx in amounts that significantly contribute to nonattainment of the 1-hour and 8-hour ozone National Ambient Air Quality Standards, or will interfere with maintenance of the 8-hour ozone National Ambient Air Quality Standards, in one or more downwind states. The rule requires the 22 upwind states and the District of Columbia to submit state implementation plan revisions to prohibit specified amounts of emissions of oxides of nitrogen (NOx)--one of the precursors to ozone (smog) pollution--for the purpose of reducing NOx and ozone transport across state boundaries in the eastern half of the United States. Although states may choose any mix of pollution reduction measures that will achieve the required reductions, it is widely anticipated that states will target large utility and industrial boilers, which could materially reduce the demand for coal by these industries.

On March 3, 2000, the U.S. Court of Appeals for the District of Columbia in
Michigan v. EPA, No. 98-1497 (D.C. Cir. 2000), generally upheld the NOx SIP Call. On June 22, 2000, the D.C. Circuit lifted the stay of the deadline for the states to submit their NOx state implementation plans ("SIPs") and directed the states to submit their SIPs. The SIPs are due October 30, 2000, pursuant to the D.C. Circuit's order of June 22, 2000. On August 30, 2000, the D.C. Circuit extended the compliance deadline for full implementation of NOx SIP Call controls to May 31, 2004. On September 18, 2000, the EPA finalized its stay of the 8-hour portion of the NOx SIP Call (65 Fed. Reg. 56245). On September 20, 2000, industry petitioned the U.S. Supreme Court for a writ of certiorari.

On April 30, 1999, the EPA issued "final determinations" that six out of eight petitions filed under section 126 of the Clean Air Act are "partially approvable" and that sources in 19 states and the District of Columbia "significantly contribute" to ozone nonattainment in one or more of the petitioning states (64 Fed. Reg. 28250, May 25, 1999). The EPA deferred granting the approvable portions of the petitions until the affected states submit their revised SIPs, in response to the EPA's NOx SIP Call. Following the adverse decision on the new 8-hour ozone standard in May 1999, however, the EPA stayed final action on the section 126 petitions and "decoupled" the NOx SIP Call and section 126 rulemakings. On January 18, 2000, the EPA published its final rulemaking entitled "Findings of Significant Contribution and Rulemaking on Section 126 Petitions for Purposes of Reducing Interstate Ozone Transport," granting petitions filed by four northeast states (Connecticut, Massachusetts, New York and Pennsylvania) under section 126 of the Clean Air Act (65 Fed. Reg. 2674). As a result of these findings, facilities located in Delaware, the District of Columbia, Indiana, Kentucky, Maryland, Michigan, North Carolina, New Jersey, New York, Ohio, Pennsylvania, Virginia and West Virginia will have to reduce their NOx emissions by 2003. Petitions for review of the EPA's final section 126 rule are pending in the United States Court of Appeals for the District of Columbia.

The EPA has filed suit against a number of leading electric utilities (including Massey customers) in U.S. District Court, asserting that these utilities must install new emission controls at plants previously "grandfathered" from the more stringent requirements now applicable under the Clean Air Act. The EPA is also pursuing an administrative proceeding against the Tennessee Valley Authority on the same basis. Installation of these controls would require very significant capital investment, and some utilities might choose to switch to non-coal generation rather than make such investment. This could materially decrease the demand for coal.

No assurance can be given that the implementation of the Clean Air Act, the new National Ambient Air Quality Standards, the NOx SIP Call rule or any other future regulatory action will not materially adversely affect Massey's business, financial condition and results of operation.

Framework Convention On Global Climate Change. The United States and more than 160 other nations are signatories to the 1992 Framework Convention on Global Climate Change (the "Kyoto Protocol") which is intended to limit or reduce emissions of greenhouse gases, such as carbon dioxide. In the Kyoto Protocol, the signatories to the Framework Convention on Global Climate Change established a binding set of emissions targets for developed nations. The specific limits vary from country to country. Under the terms of the Kyoto Protocol, the United States would be required to reduce emissions to 93% of 1990 levels over a five-year budget period from 2008 through 2012. The Clinton Administration signed the protocol in November 1998. Although the U.S. Senate has not yet ratified the Kyoto Protocol and no comprehensive regulations focusing on greenhouse gas emissions have been issued, efforts to control greenhouse gas emissions could result in reduced use of coal if electric power generators switch to lower carbon sources of fuel. These restrictions, if established through regulation or legislation, could have a material adverse effect on Massey's business, financial condition and results of operations.

Clean Water Act. The federal Clean Water Act affects coal mining operations by imposing restrictions on effluent discharge into waters. Regular monitoring,
as well as compliance with reporting requirements and performance standards, are preconditions for the issuance and renewal of permits governing the discharge of pollutants into water.

On October 20, 1999, the U.S. District Court for the Southern District of West Virginia issued an injunction which prohibits the construction of valley fills over both intermittent and perennial stream segments as part of mining operations. While Massey is not a party to this litigation, virtually all mining operations (including Massey's) utilize valley fills to dispose of excess materials mined during coal production. This decision is now under appeal to the Fourth Circuit Court of Appeals and the district court has issued a stay of its decision pending the outcome of the appeal. If and to the extent that the district court's decision is upheld and legislation is not passed which limits the impact of the decision, all or a portion of Massey's mining operations could be affected which could have a material adverse effect on Massey's business, financial condition and results of operations.

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MANAGEMENT OF NEW FLUOR

New Fluor Board of Directors

The business of New Fluor will be managed under the direction of its board of directors. As of the Distribution Date, the twelve persons listed in the table below will constitute the entire New Fluor board. Each person listed in the table below is currently a director of Fluor Corporation and, except for Admiral Bobby R. Inman and Dr. Martha R. Seger, is expected to resign as a director of Fluor Corporation as of the effective date of the Distribution. Similar to the current Fluor Corporation board of directors, the New Fluor board of directors will be divided into three classes. Directors for each class will be elected at the annual meeting of shareholders held in the year in which the term for such class expires and will serve thereafter for three years.

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<tr>
<td>The Honorable Carroll A. Campbell, Jr.</td>
<td>60</td>
<td>II</td>
<td>2001</td>
</tr>
<tr>
<td>Mr. Philip J. Carroll, Jr.</td>
<td>62</td>
<td>I</td>
<td>2003</td>
</tr>
<tr>
<td>Mr. Peter J. Fluor.</td>
<td>53</td>
<td>III</td>
<td>2002</td>
</tr>
<tr>
<td>Dr. David P. Gardner.</td>
<td>67</td>
<td>III</td>
<td>2002</td>
</tr>
<tr>
<td>Mr. Thomas L. Gossage.</td>
<td>66</td>
<td>I</td>
<td>2003</td>
</tr>
<tr>
<td>Admiral Bobby R. Inman.</td>
<td>69</td>
<td>III</td>
<td>2002</td>
</tr>
<tr>
<td>Ms. Vilma S. Martinez.</td>
<td>57</td>
<td>I</td>
<td>2003</td>
</tr>
<tr>
<td>Mr. Dean R. O'Hare.</td>
<td>58</td>
<td>I</td>
<td>2003</td>
</tr>
<tr>
<td>Lord Robin W. Renwick, KCMG</td>
<td>58</td>
<td>II</td>
<td>2001</td>
</tr>
<tr>
<td>Mr. James O. Rollans.</td>
<td>58</td>
<td>III</td>
<td>2002</td>
</tr>
<tr>
<td>Dr. Martha R. Seger.</td>
<td>57</td>
<td>II</td>
<td>2001</td>
</tr>
<tr>
<td>Mr. James C. Stein.</td>
<td>57</td>
<td>II</td>
<td>2001</td>
</tr>
</tbody>
</table>

Set forth below is information concerning each person expected to serve as a director of New Fluor after the Distribution. The year set forth in the parentheses is the year each director was originally elected to the board of directors of Fluor Corporation. For information concerning Messrs. Carroll, Rollans and Stein, see "--New Fluor Executive Officers" below.

The Honorable Carroll A. Campbell, Jr. is president and chief executive officer of the American Council of Life Insurance. He is a former two-term Governor of South Carolina, served in the U.S. House of Representatives and was a member of the Appropriations and Ways and Means committees. He was a chairman of the National Governors' Association from 1993 to 1994. Governor Campbell is a director of AVX Corporation, Norfolk Southern Corporation and Wackenhut


Dr. David P. Gardner recently retired as president of the William and Flora Hewlett Foundation and is a former president of both the University of California and the University of Utah. Dr. Gardner is a director of United Funds, First Security Corporation, Digital Ventures and Charitableway.com. (1998)

Thomas L. Gossage is the chairman and chief executive officer of Hercules Incorporated. Mr. Gossage also serves as a director of The Dial Corporation and Alliant Techsystems Inc. (1997)

Admiral Bobby R. Inman U.S. Navy (retired), served as Director of the National Security Agency and Deputy Director of Central Intelligence. He is also a director of Science Applications International Corporation, SBC Communications Inc., Temple-Inland Inc. and Xerox Corporation, and after the Distribution will be a director of Massey Energy Company. (1985)

Vilma S. Martinez is a partner with the law firm of Munger, Tolles & Olson LLP, and the former president and general counsel for the Mexican-American Legal Defense and Educational Fund. Ms. Martinez is also a director of Anheuser-Busch Companies, Inc., Sanwa Bank California, Shell Oil Company and Burlington Northern Santa Fe Corporation, and serves on a variety of advisory boards and community organizations. (1993)

Dean R. O'Hare is chairman and chief executive officer of the Chubb Corporation. He is chairman of the Coalition of Service Industries, chairman of the U.S.-India Business Council and a member of the White House Advisory Committee for Trade Policy & Negotiations and the U.S. Trade Representative's Investment and Services Policy Advisory Committee. (1997)

Lord Robin W. Renwick is a deputy chairman of the merchant bank Robert Fleming, and a director of British Airways. During his 30-year career in the British Foreign Service, he served in senior posts in New Delhi, Paris and London, and was British Ambassador to South Africa from 1987 to 1991 and British Ambassador to the United States from 1991 to 1995. He was appointed to the House of Lords by Prime Minister Blair in 1997. (1997)

Dr. Martha R. Seger is a distinguished visiting professor of Finance at Adrian College and a former member of the Board of Governors of the Federal Reserve System. She is also a director of Kroger Company, Tucson Electric Power Company and Xerox Corporation, and after the Distribution will be a director of Massey Energy Company. (1991)

Committees of the New Fluor Board

The standing committees of the New Fluor board of directors will consist of an Audit Committee, Executive Committee, Finance Committee, Governance Committee, Organization and Compensation Committee and Public Policy Committee.

Audit Committee

The principal duties of the Audit Committee are as follows:

- to nominate the firm of independent outside auditors for appointment by the board;
- to meet with New Fluor's financial management, internal audit management and independent outside auditors to review matters relating to New Fluor's internal accounting controls, internal audit program, accounting
practices and procedures, the scope and procedures of the outside audit, the independence of the outside auditors and other matters relating to the financial condition of New Fluor;

. to review New Fluor's annual report to shareholders, proxy materials and annual report on Form 10-K for filing with the Securities and Exchange Commission; and

. to report to the board periodically any recommendations the Audit Committee may have with respect to the foregoing matters.

The Audit Committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

The members of the Audit Committee are expected to be Carroll A. Campbell, Jr., Peter J. Fluor, Vilma S. Martinez and Dean R. O'Hare, none of whom is a current or former officer or employee of New Fluor or any of its subsidiaries.

Executive Committee

When the New Fluor board is not in session, the Executive Committee will have all of the power and authority of the board except with respect to:

. amending New Fluor's Restated Certificate of Incorporation and Bylaws;

. adopting an agreement of merger or consolidation;

. recommending to the shareholders the sale, lease or exchange of all or substantially all of New Fluor's property and assets;

. recommending to the shareholders a dissolution of New Fluor or a revocation of such dissolution;

. declaring a dividend; or

. issuing stock.

The members of the Executive Committee are expected to be Philip J. Carroll, Peter J. Fluor, David P. Gardner, Bobby R. Inman, Vilma S. Martinez and Martha R. Seger.

Finance Committee

The function of the Finance Committee is as follows:

. to review and make recommendations to the board regarding New Fluor's financing needs and plans and dividend policy;

. to review and, where delegated by the board, approve new debt financings, acquisitions and dispositions of business units and major capital assets;

. to review the financial performance of acquisitions and equity investments and to monitor the investment policy and performance of New Fluor's employment and other benefit trust funds; and

. to review New Fluor's risk management activities, including insurance coverage.

The members of the Finance Committee are expected to be Martha R. Seger, Carroll A. Campbell, Thomas L. Gossage and Robin W. Renwick.

Governance Committee
The function of the Governance Committee is as follows:

. to seek out, evaluate and recommend to the board qualified nominees for election as directors of New Fluor;
. to recommend directors of New Fluor for election as members of committees of the board; and
. to consider other matters including the size and composition of the board and committees and other issues of corporate governance.

The members of the Governance Committee are expected to be David P. Gardner, Carroll A. Campbell, Peter J. Fluor, Thomas L. Gossage, Bobby R. Inman, Vilma S. Martinez, Dean R. O'Hare, Robin W. Renwick and Martha R. Seger.

Organization and Compensation Committee

The principal duties of the Organization and Compensation Committee are as follows:

. to review corporate organizational structures;
. to review key employee compensation policies, plans and programs;
. to monitor performance and compensation of employee-directors and officers of New Fluor and other key employees;
. to prepare recommendations and periodic reports to the board concerning such matters; and
. to function as the committee which administers the long-term incentive programs referred to in "--Compensation of New Fluor Executive Officers" below.

The members of the Organization and Compensation Committee are expected to be Bobby R. Inman, Peter J. Fluor, David P. Gardner, Thomas L. Gossage and Dean R. O'Hare, none of whom is a current or former officer or employee of New Fluor or its subsidiaries.

Public Policy Committee

The Public Policy Committee will review and make recommendations regarding domestic and international policies, programs, positions and strategies in relation to:

. significant public issues;
. political, social and environmental trends;
. business, charitable, educational and political organizations; and
. employment and workplace policies and practices relating to nondiscrimination, diversity and occupational health and safety.

The members of the Public Policy Committee are expected to be Vilma S. Martinez, David P. Gardner, Bobby R. Inman, Robin W. Renwick and Martha R. Seger.

Compensation Committee Interlocks and Insider Participation

None of New Fluor's executive officers has served as a director or member of the compensation committee, or other committee serving an equivalent function, of any entity of which an executive officer is expected to serve as a member of New Fluor's Organization and Compensation Committee.
Compensation of New Fluor Directors

Following the Distribution, New Fluor will implement director compensation programs as described in this section. Nine of the twelve persons expected to serve as directors of New Fluor will not be salaried employees of New Fluor or its subsidiaries. For their services, these non-employee directors will be paid a retainer at the annual rate of $30,000 or, in the case of directors also serving as chairman of board committees, $34,000, plus a fee of $2,000 per day for each day upon which one or more board or board committee meetings are attended. Each director will receive a $2,000 annual California tax allowance. Salaried employees will receive no additional compensation for their services as directors. Directors are permitted to defer receipt of directors' fees until their retirement or other termination of status as a director. Amounts deferred at the election of the director either accrue interest at rates fixed from time to time by the Executive Committee or are valued as if invested in New Fluor Common Stock.

Under the New Fluor Stock Plan for Non-Employee Directors, referred to as the New Fluor Director Stock Plan, directors who are not, and have never been, employees of New Fluor or its subsidiaries will be eligible to receive, when they become directors, 1,500 shares of restricted common stock and restricted units in an amount determined by the Organization and Compensation Committee which are payable in cash to assist in satisfying related income tax liabilities. Awards are made on a date determined by the Organization and Compensation Committee following appointment. Restrictions lapse on 20% of the shares on March 14 next following the date of the initial award. Restrictions lapse on the balance of the shares in four equal increments on each succeeding March 14. In addition, under the New Fluor Director Stock Plan, directors who are not, and have never been, employees of New Fluor or its subsidiaries will be eligible to receive annual grants of 750 shares of restricted common stock. Restrictions on these shares of restricted stock lapse once such stock has been held for at least six months, the applicable director has served on the board of Fluor Corporation or New Fluor for at least six years and the director either retires from the board, dies or becomes permanently and totally disabled or a change of control occurs.

Description of New Fluor Director Stock Plan

Prior to the Distribution, Fluor Corporation, as sole shareholder of New Fluor, will approve the adoption by New Fluor of the New Fluor Director Stock Plan. The New Fluor Director Stock Plan will be used to provide for restricted stock and restricted unit awards that were granted under the Fluor Corporation Stock Plan for Non-Employee Directors and the Fluor Corporation Restricted Stock Plan for Non-Employee Directors (including restricted stock awards authorized by Fluor Corporation in satisfaction and discharge of accrued benefits following termination of the Fluor Corporation Retirement Plan for Outside Directors) and assumed by New Fluor upon the Distribution, as well as for new restricted stock and restricted unit grants following the Distribution. The aggregate number of shares of New Fluor Common Stock that can be issued under the New Fluor Director Stock Plan may not exceed 120,000. Any director who is not and has never been an employee of Fluor Corporation, New Fluor or any of their subsidiaries is eligible to receive grants under the plan. Upon first joining the board of New Fluor, an eligible director may receive a grant of 1,500 shares of restricted New Fluor stock, and each year thereafter may receive a grant of 750 shares of restricted New Fluor stock. The board’s Organization and Compensation Committee (or any other committee designated by the board), will administer the New Fluor Director Stock Plan, and may authorize the grant of restricted units in connection with grants of restricted stock in order to assist in satisfying income tax liabilities that arise under the restricted stock grants. The New Fluor Director Stock Plan provides that, unless established otherwise by the Committee, restricted stock that is granted when an eligible director first joins the board will vest in five equal annual installments, and annual restricted stock grants that have been held for at least six months will vest when a director has served on the board of Fluor Corporation or New Fluor for at least six years and either the director retires
from the board under terms established by the Committee, dies or becomes permanently and totally disabled or a change of control occurs. The Committee may reduce the number of shares subject to grants under the plan, and may reduce the vesting requirements applicable to grants, except that the Committee may not provide for full vesting of grants for less than three (3) years service as a non-employee director, other than upon the director’s retirement, death or disability or upon a change of control. The Board may amend the plan from time to time, but unless approved by shareholders, no amendment may increase the number of shares subject to grants or reduce the vesting requirement for grants.

New Fluor Executive Officers

The following table lists the seven persons who are expected to serve as executive officers of New Fluor immediately following the Distribution. Each person named below is currently an executive officer of Fluor Corporation and is expected to resign his position with Fluor Corporation as of the effective date of the Distribution.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Expected Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip J. Carroll, Jr...</td>
<td>62</td>
<td>Chairman of the Board and Chief Executive Officer</td>
</tr>
<tr>
<td>Alan L. Boeckmann........</td>
<td>52</td>
<td>President and Chief Executive Officer of Fluor Daniel</td>
</tr>
<tr>
<td>Lawrence N. Fisher.......</td>
<td>56</td>
<td>Senior Vice President, Law and Secretary</td>
</tr>
<tr>
<td>Ralph F. Hake...........</td>
<td>51</td>
<td>Executive Vice President and Chief Financial Officer</td>
</tr>
<tr>
<td>James O. Rollans..........</td>
<td>58</td>
<td>President and Chief Executive Officer of Fluor Signature Services</td>
</tr>
<tr>
<td>James C. Stein...........</td>
<td>57</td>
<td>President and Chief Executive Officer of Fluor Global Services</td>
</tr>
<tr>
<td>Stephen M. Johnson......</td>
<td>49</td>
<td>Senior Vice President, Global Development, Marketing &amp; Strategy</td>
</tr>
</tbody>
</table>

Set forth below is information concerning each person expected to serve as an executive officer of New Fluor after the Distribution.

Philip J. Carroll, Jr. has been a director and Chairman of the Board and Chief Executive Officer of Fluor Corporation since July 1998. Mr. Carroll was formerly President and Chief Executive Officer of Shell Oil Company from 1993, and held other positions with Shell Oil Company for more than 37 years. Mr. Carroll is also a director of Boise Cascade Corporation and Vulcan Materials Company.

Alan L. Boeckmann has been President and Chief Executive Officer of Fluor Daniel since March 1999. Mr. Boeckmann was formerly Group President, Energy and Chemicals of Fluor Daniel from January 1996 and President, Plastics and Fibers of Fluor Daniel from 1994. Mr. Boeckmann joined Fluor Corporation in 1979 with previous service from 1974 to 1977.

Lawrence N. Fisher has been Senior Vice President, Law and Secretary of Fluor Corporation since 1996. Mr. Fisher was formerly Vice President, Corporate Law from 1984. Mr. Fisher joined Fluor Corporation in 1974.
Ralph F. Hake has been Executive Vice President and Chief Financial Officer of Fluor Corporation since June 1999. Mr. Hake was formerly Senior Executive Vice President and Chief Financial Officer of Whirlpool Corporation from 1997; Senior Vice President of Global Operations from 1996; and Executive Vice President, North American Appliance Group from 1992. Mr. Hake joined Fluor Corporation in 1999.

James O. Rollans has been a director of Fluor Corporation since December 1997 and President and Chief Executive Officer of Fluor Signature Services since March 1999. Mr. Rollans was formerly Senior Vice President and Chief Financial Officer of Fluor Corporation from 1998 to June 1999 and 1992 to 1994; Senior Vice President and Chief Administrative Officer of Fluor Corporation from 1994 to 1998; and Vice President, Corporate Communications of Fluor Corporation 1982 to 1992. Mr. Rollans joined Fluor Corporation in 1982. Mr. Rollans is also a director of Flowserve Corporation.

James C. Stein has been a director of Fluor Corporation since December 1997 and President and Chief Executive Officer of Fluor Global Services since March 1999. Mr. Stein was formerly President and Chief Operating Officer of Fluor Daniel from 1997 to March 1999; Group President, Diversified Services of Fluor Daniel from 1994; President, Business Units, of Fluor Daniel from 1993; and President, Industrial Sector, of Fluor Daniel from 1986. Mr. Stein joined Fluor Corporation in 1964.

Stephen M. Johnson has been Senior Vice President, Global Development, Marketing and Strategy of Fluor Corporation since March 2000. Mr. Johnson was formerly Vice President, Global Development from November 1999 to March 2000; and Vice President, Sales of Fluor Daniel from 1995 to November 1999.

Compensation of New Fluor Executive Officers

The following table provides information concerning aggregate cash compensation, stock-based compensation and other compensation paid by Fluor Corporation for services rendered to it in the fiscal year ended October 31, 1999 by New Fluor's Chief Executive Officer and each of the persons who are anticipated to be one of New Fluor's four other most highly compensated executive officers following the Distribution, collectively referred to as the named executive officers. During the period presented, the named executive officers were compensated in accordance with Fluor Corporation's plans and policies. Stock-based compensation described in the following table is expressed in shares of Fluor Corporation Common Stock. Upon consummation of the Distribution, each outstanding Fluor Corporation stock-based item of compensation held by the named executive officers will be converted into a New Fluor stock-based item of compensation of a similar nature. See "--New Fluor Treatment of Outstanding Fluor Corporation Compensatory Stock Awards" below.

### Summary Compensation Table for Services Rendered to Fluor Corporation

<table>
<thead>
<tr>
<th>Name and Principal Position with New Fluor</th>
<th>Fiscal Salary ($)</th>
<th>Bonus ($)</th>
<th>Restricted Stock Awards ($)</th>
<th>Other Annual Compensation ($</th>
<th>Long Term Compensation</th>
<th>Long Term Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Awards ($)</td>
<td>Payouts ($)</td>
</tr>
<tr>
<td>Philip J. Carroll, Jr. Chairman and Chief Executive Officer</td>
<td>900,000</td>
<td>1,000,000</td>
<td>27,158</td>
<td>484,488</td>
<td>57,940</td>
<td>0</td>
</tr>
<tr>
<td>James C. Stein President and Chief</td>
<td>565,021</td>
<td>300,000</td>
<td>48,968</td>
<td>247,389</td>
<td>30,000</td>
<td>0</td>
</tr>
</tbody>
</table>
Executive Officer,  
Fluor Global Services

Alan L. Boeckmann.......   1999  456,278   375,000 20,097    94,325     11,500        0       199,223

President and Chief  
Executive Officer,  
Fluor Daniel

James O. Rollans.......   1999  490,000   300,000 61,878   154,779     18,800        0       196,871

President and Chief  
Executive Officer,  
Fluor Signature  
Services

Ralph F. Hake...........   1999  159,628   175,000 70,656   423,938     58,000        0        47,119

Executive Vice  
President and Chief  
Financial Officer

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(1) Amounts shown include cash compensation earned and received by the named executive officers as well as amounts earned but deferred at the election of those officers.

(2) Amounts shown in this column represent restricted unit payments for the benefit of each named executive officer to compensate for federal and state withholding taxes arising from the lapse of restrictions on restricted stock held by such officer.

(3) The amount reported in the table includes restricted stock and shadow stock, and represents the market value at the date of grant, without giving effect to the diminution in value attributable to the restrictions on such stock. In fiscal year 1999, Fluor Corporation awarded 33,380 shares of restricted stock and 0 shares of shadow stock to all named executive officers as a group. With respect to shares of restricted stock granted in fiscal year 1999, 33,380 shares of restricted stock vest at the rate of 10% per year. As of the end of fiscal year 1999, the aggregate restricted and shadow stock holdings for each of the named executive officers consisted of the following: Mr. Carroll, 158,804 shares with a value of $6,302,534; Mr. Stein, 14,091 shares with a value of $559,237; Mr. Boeckmann, 5,569 shares with a value of $221,020; Mr. Rollans, 17,782 shares with a value of $705,723; Mr. Hake, 7,875 shares with a value of $312,539. Holders of restricted stock are entitled to receive dividends paid on common stock.

(4) The total amount shown in this column for Mr. Carroll consists of the following: $141,791--Fluor Corporation contributions and allocations to defined contribution plans and related excess benefit plans; $610,000--benefit attributable to Fluor Corporation-owned life insurance policy; $200,000--non-discretionary bonus; $108,210--personal use of chartered aircraft and related tax gross up. The total amount shown for Mr. Stein consists of the following: $109,686--Fluor Corporation contributions and other allocations to defined contribution plans and related excess benefit plans; $80,256--benefit attributable to Fluor Corporation-owned life insurance policy; $10,532--reimbursement under home buy/sale policy; $25,000--relocation expenses; $24,200--personal use of chartered aircraft and related tax gross up. The total amount shown for Mr. Boeckmann consists of the following: $71,061--Fluor Corporation contributions and other allocations to defined contribution plans and related excess benefit plans; $43,664--benefit attributable to Fluor Corporation-owned life insurance policy; $72,999--reimbursement under home buy/sale policy; $11,499--personal use of chartered aircraft and related tax gross up. The total amount shown for Mr. Rollans consists of the following: $129,000--Fluor Corporation contributions and other allocations to defined contribution plans and related excess benefit plans; $63,374--benefit attributable to Fluor Corporation-owned life insurance policy; $4,497--personal use of chartered aircraft and related tax gross up. The total amount shown for Mr. Hake consists of the following: $35,766--reimbursement under home buy/sale policy; $11,353--miscellaneous relocation.
Option Grants in Last Fiscal Year to Purchase Fluor Corporation Common Stock

The following table provides information concerning fiscal year 1999 grants of stock options and stock appreciation rights, or SARs, to purchase shares of Fluor Corporation Common Stock to New Fluor's named executive officers under Fluor Corporation's long-term incentive program. Options to purchase Fluor Corporation Common Stock will be converted into options to purchase New Fluor Common Stock. See "--New Fluor Treatment of Outstanding Fluor Corporation Compensatory Stock Awards" below.

### Individual Grants (1) (2)

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Securities Granted (1)</th>
<th>% of Total</th>
<th>Exercise Price ($/SH)</th>
<th>Expiration Date</th>
<th>Present Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip J. Carroll, Jr...</td>
<td>57,940</td>
<td>4.8</td>
<td>42.875</td>
<td>12/08/08</td>
<td>805,945</td>
</tr>
<tr>
<td>James C. Stein...........</td>
<td>30,000</td>
<td>2.5</td>
<td>42.875</td>
<td>12/08/08</td>
<td>417,300</td>
</tr>
<tr>
<td>Alan L. Boeckmann........</td>
<td>11,500</td>
<td>1.0</td>
<td>42.875</td>
<td>12/08/08</td>
<td>159,965</td>
</tr>
<tr>
<td>James O. Rollans.........</td>
<td>18,800</td>
<td>1.6</td>
<td>42.875</td>
<td>12/08/08</td>
<td>261,508</td>
</tr>
<tr>
<td>Ralph F. Hake.............</td>
<td>58,000</td>
<td>4.8</td>
<td>40.375</td>
<td>6/16/09</td>
<td>856,422</td>
</tr>
</tbody>
</table>

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(1) The named executive officers received only grants of options in fiscal year 1999; SARs were granted to other members of Fluor Corporation's management.

(2) Options were granted with an exercise price equal to the fair market value of the underlying common stock on the date of grant. All options were granted for a term of ten years, subject to earlier termination in certain events related to termination of employment, and vest in four equal annual installments commencing 12 months after the date of grant. The exercise price and tax withholding obligations related to exercise may be paid by delivery of already owned shares or by offset of the underlying shares, subject to certain conditions. The vesting of these options may accelerate upon termination of employment following a change of control of Fluor Corporation.

(3) The Grant Date Present Value is computed using the Black-Scholes option pricing model based on the following general assumptions: (a) an expected option term of six years for options that expire ten years from the date of grant which reflects a reduction of the actual 10-year life of the option based on historical data regarding the average length of time an executive officer holds an option before exercising; (b) a risk-free interest rate that represents the interest rate on a U.S. Treasury Strip with a maturity date corresponding to that of the expected option term; (c) stock price volatility which is calculated using daily stock prices over a three-year period preceding the grant date; and (d) a dividend yield which is calculated using yields over a three-year period preceding the grant date. The specific option pricing model assumptions for the grants were as follows: $42.875 exercise price; 4.43% risk-free interest rate; 33.4% stock price volatility; and 1.37% dividend yield. For Mr. Hake, an expected option term of five years was assumed, and the specific option pricing model assumptions were as follows: $40.38 exercise price; 6.50% risk-free interest rate; 39.41% stock price volatility; and 1.72% dividend yield. Notwithstanding the fact that these options are non-transferable, no discount for lack of marketability was taken. The option value was discounted by approximately 3% for risk of forfeiture during the vesting period. The actual value, if any, an executive officer may realize will depend upon the excess of the stock price over the exercise price on the date the option is exercised, so there is no assurance that the value realized by the executive officer will be at or near the amount shown.
Aggregate Fluor Corporation Option Exercises in Last Fiscal Year and Fiscal Year End Option/SAR Values

The following table provides information concerning the exercise of Fluor Corporation options by New Fluor's named executive officers during fiscal year 1999 and the number and value of securities underlying unexercised Fluor Corporation options and SARs held by New Fluor's named executive officers as of the end of fiscal year 1999. Options to purchase Fluor Corporation Common Stock will be converted into options to purchase New Fluor Common Stock. See "--New Fluor Treatment of Outstanding Fluor Corporation Compensatory Stock Awards" below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares Acquired on Exercise (#)</th>
<th>Value Realized ($)</th>
<th>Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#)</th>
<th>Value of Unexercised In-the-Money Options/SARs at Fiscal Year End ($) (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip J. Carroll, Jr..........</td>
<td>0</td>
<td>0</td>
<td>80,000</td>
<td>177,940</td>
</tr>
<tr>
<td>James C. Stein ..................</td>
<td>10,872</td>
<td>77,655</td>
<td>100,657</td>
<td>258,541</td>
</tr>
<tr>
<td>Alan L. Boeckmann ..............</td>
<td>0</td>
<td>0</td>
<td>47,192</td>
<td>44,078</td>
</tr>
<tr>
<td>James O. Rollans ...............</td>
<td>0</td>
<td>0</td>
<td>128,770</td>
<td>227,395</td>
</tr>
<tr>
<td>Ralph F. Hake ...................</td>
<td>0</td>
<td>0</td>
<td>14,500</td>
<td>43,500</td>
</tr>
</tbody>
</table>

(1) Market value of underlying securities at fiscal year-end, minus the exercise price.

Long-Term Fluor Corporation Incentive Plan Awards in Last Fiscal Year

The following table provides information concerning cash incentive awards made to New Fluor's named executive officers during fiscal year 1999 under Fluor Corporation's Long-Term Incentive Award Program. Each award under the Long-Term Incentive Award Program represents the right to receive an amount in cash if earnings targets for a specified period, as established by Fluor Corporation's Organization and Compensation Committee, are achieved. If earnings fall below the threshold amount, no award is payable. If earnings fall between the threshold amount and the target amount or between the target amount and the maximum amount then the amount of the award is prorated accordingly. Following the Distribution, these earnings goals will be adjusted to exclude the Massey Business. Payments made under the Long-Term Incentive Program are reported in the Summary Compensation Table in the year of payout, if any.

<table>
<thead>
<tr>
<th>Name</th>
<th>Performance Period Maturation or Other or Payout</th>
<th>Estimated Future Payouts Under Non-Stock Price Based Plans ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip J. Carroll, Jr..........</td>
<td>3 years</td>
<td>0 240,000 480,000</td>
</tr>
<tr>
<td>James C. Stein ..................</td>
<td>3 years</td>
<td>0 105,000 210,000</td>
</tr>
<tr>
<td>Alan L. Boeckmann ..............</td>
<td>3 years</td>
<td>0 110,000 220,000</td>
</tr>
<tr>
<td>James O. Rollans ...............</td>
<td>3 years</td>
<td>0 68,000 136,000</td>
</tr>
<tr>
<td>Ralph F. Hake ...................</td>
<td>N/A</td>
<td>N/A N/A N/A N/A</td>
</tr>
</tbody>
</table>

New Fluor Treatment of Outstanding Fluor Corporation Compensatory Stock Awards
Upon consummation of the Distribution, each outstanding Fluor Corporation stock-based element of incentive compensation, such as options, restricted shares and units, SARs and shadow stock, which are held by current or former directors (except for Mr. Inman and Ms. Seger), executive officers and key employees of New Fluor will be assumed by New Fluor and converted into New Fluor options, restricted shares and units, SARs and shadow stock, respectively. The methodology to be used in making the conversion will be based on the opening per share price of the New Fluor Common Stock on the first day of trading after the Distribution relative to the closing per share price of Fluor Corporation stock on the last trading day before the Distribution. For example, if the closing per share price of Fluor Corporation stock was $31 and the opening per share price for New Fluor Common Stock was $25.25, then the conversion ratio would be 1.2272. For options, the number of New Fluor shares covered by each option grant would be increased by this ratio, the per share purchase price for each share of the grant would be decreased by the same ratio and the aggregate purchase price for the grant would remain the same. For restricted shares and units, SARs and shadow stock, the number of shares, units, rights or shadow shares covered by each grant will be adjusted by the same ratio. Stock-based elements of compensation held by Mr. Inman and Ms. Seger will be adjusted and converted into separate New Fluor and Massey arrangements representing an equivalent number of shares.

Following the Distribution, New Fluor intends to offer each of its optionholders, other than its directors, Chief Executive Officer and other four most highly compensated executive officers identified in the Summary Compensation table above, the ability to elect to surrender all of the options he or she holds in return for a company cash payment obligation. The cash payment obligation offered to each optionholder will be for an amount equal to one-third of the present value of that person’s options, as calculated by New Fluor using the Black-Scholes option valuation methodology. Any shares that are subject to options surrendered under this program will be available for future grants under the New Fluor 2000 Executive Performance Incentive Plan described below. The cash payment obligation, if accepted by an optionholder, is payable over three equal annual installments, with the first installment paid on the first anniversary of the Distribution, and in certain cases may be deferred. All or a portion of the payments will be forfeited if the optionholder ceases to be employed by New Fluor other than on account of retirement, death or permanent disability. New Fluor believes that this program will reduce its option overhang, help to provide a fresh-start motivation for New Fluor employees and provide it with a source for future stock-based incentive compensation awards.

Description of New Fluor Stock Plan

Prior to the Distribution, Fluor Corporation, as sole shareholder of New Fluor, will approve the adoption by New Fluor of the New Fluor 2000 Executive Performance Incentive Plan, referred to as the Incentive Plan. The Incentive Plan is identical to the Fluor Corporation 1999 Executive Performance Incentive Plan, which was approved by the shareholders of Fluor Corporation at its 1999 Annual Meeting of Shareholders, except that (1) the number of shares of New Fluor Common Stock issuable under the Incentive Plan and under various types of Incentive Plan awards is as set forth below under "--Stock Subject to the Incentive Plan" and "--Qualifying Performance Criteria and Section 162(m) Limits," and (2) the Incentive Plan provides that the terms of stock options, restricted stock and other stock-based arrangements that were issued under Fluor Corporation plans and converted into New Fluor awards upon the Distribution will remain applicable to the New Fluor awards notwithstanding any provision to the contrary in the Incentive Plan. Any new awards granted by New Fluor following the Distribution will be subject to the terms of the Incentive Plan. New Fluor will not assume any of the stock option or restricted stock plans that are maintained by Fluor Corporation.
The Incentive Plan is designed to enable New Fluor to attract, retain and motivate its management and other key employees, and to further align the interests of such employees with those of the shareholders of New Fluor, by providing for or increasing the proprietary interest of such employees in New Fluor. The Incentive Plan also will be used for stock options, restricted stock and other stock-based arrangements that were issued under Fluor Corporation plans and assumed by New Fluor upon the Distribution. The Incentive Plan authorizes the grant and issuance of awards that may take the form of stock options, restricted stock, incentive awards and stock units. The Incentive Plan has various provisions so that awards granted under it may, but need not, qualify for an exemption from the "short swing liability" provisions of Section 16(b) of the Exchange Act pursuant to Rule 16b-3 and/or qualify as "performance-based compensation" that is exempt from the $1 million limitation on the deductibility of compensation under Section 162(m) of the Code.

Eligibility. Any person who is an employee and an officer, key employee or member of New Fluor’s executive management team, or a prospective employee who is to be an officer, key employee or member of the executive management team, or a consultant or advisor of New Fluor or any of its affiliates is eligible to be selected as a recipient of an award under the Incentive Plan. Following the Distribution, New Fluor expects that there will be approximately 400 members of the executive management team who will be covered under the Incentive Plan.

Administration. The Incentive Plan will be administered by the Organization and Compensation Committee and/or one or more other committees of New Fluor's board of directors. With respect to any award that is not intended to satisfy the conditions of Rule 16b-3 of the Exchange Act or Section 162(m)(4)(C) of the Code, the committee may delegate all or any of its responsibilities to one or more directors or officers of New Fluor, including individuals who participate in the Incentive Plan.

Subject to the express provisions of the Incentive Plan, the Committee has broad authority to administer and interpret the Incentive Plan, including, without limitation, authority to:

. determine who is eligible to participate in the Incentive Plan;
. determine to whom and when awards are granted under the Incentive Plan;
. make and determine the terms of awards;
. determine the number of shares of common stock subject to awards and the exercise or purchase price of such shares under an award;
. establish and verify the extent of satisfaction of any performance goals applicable to awards;
. prescribe and amend the terms of the agreements or other documents evidencing awards made under the Incentive Plan; and
. make all other determinations deemed necessary or advisable for the administration of the Incentive Plan.

Stock Subject to the Incentive Plan. The aggregate number of shares of New Fluor Common Stock that can be issued under the Incentive Plan may not exceed 12,000,000. Of the 12,000,000 shares authorized under the Incentive Plan, the aggregate number of shares that can be issued pursuant to all incentive awards, restricted stock awards and stock units (other than stock units issued upon exercise of options) under the Incentive Plan may not exceed 4,500,000. The number of shares subject to the Incentive Plan and to outstanding awards under the Incentive Plan will be appropriately adjusted by the board of directors if, after the Distribution, the New Fluor Common Stock is affected through a reorganization, merger, consolidation, recapitalization, restructuring,
reclassification, dividend (other than quarterly cash dividends) or other
distribution, stock split, spin-off or sale of substantially all of New Fluor's
assets. For purposes of calculating the aggregate number of shares issued under
the Incentive Plan, only the number of shares actually issued upon exercise or
settlement of an award and not returned to New Fluor upon cancellation,
expiration or forfeiture of an award or in payment or satisfaction of the
purchase price, exercise price or tax withholding obligation of an award will
be counted.

Awards. The Incentive Plan authorizes the grant and issuance of the
following types of awards: stock options, restricted stock, incentive awards
and stock units.

Stock Option Awards. Subject to the express provisions of the Incentive Plan
and as discussed in this paragraph, the Committee has discretion to grant
options and to determine:

. the vesting schedule of options;
. the events causing an option to expire;
. the number of shares subject to any option;
. the restrictions on transferability of an option; and
. such further terms and conditions, in each case not inconsistent with
  the Incentive Plan, as may be determined from time to time by the
  Committee.

Options granted under the Incentive Plan may be either incentive stock
options qualifying under Section 422 of the Code, referred to as incentive
stock options, or options which are not intended to qualify as incentive stock
options, referred to as non-qualified stock options. The exercise price for
options may not be less than 100% of the fair market value of New Fluor's stock
on the date the option is granted, except that the exercise price of such
options may be above or below the fair market value of New Fluor's stock on the
date

the option is granted if the options are granted in assumption and substitution
of options held by employees of a company acquired by New Fluor or to the
extent that an optionee foregoes current cash compensation in exchange for an
option grant. The exercise price of an option may be paid through various means
specified by the Committee, including in cash or check, by delivery to New
Fluor of shares of New Fluor stock, by a reduction in the number of shares
issuable pursuant to such option, or by a promissory note or other commitment
to pay (including such a commitment by a stock broker). The Committee may, but
need not, provide that the holder of an award has a right (such as a SAR) to
receive a number of shares or cash, or a combination thereof, the amount of
which is determined by reference to the value of the award. Unless approved by
shareholders, outstanding options may not be amended to reduce the exercise
price.

Restricted Stock Awards. Restricted stock is an award of shares, the grant,
issuance, retention and/or vesting of which is subject to such performance and
other conditions as are specified by the Committee. Subject to the express
provisions of the Incentive Plan and as discussed in this paragraph, the
Committee has discretion to determine the terms of any restricted stock award,
including:

. the number of shares subject to a restricted stock award or a formula
  for determining such;
. the performance criteria and level of achievement versus these criteria
  which determine the number of shares granted, issued, retainable and/or
  vested;
the period as to which performance will be measured for determining
achievement of performance;

forfeiture provisions;

the effect of termination of employment for various reasons; and

such further terms and conditions, in each case not inconsistent with
the Incentive Plan, as may be determined from time to time by the
Committee.

The performance criteria upon which restricted stock is granted, issued,
retained and/or vested may be based on financial performance, personal
performance evaluations and/or completion of service by the participant.
However, no restricted stock award will first vest within one year from its
date of grant, other than upon death, disability, a change of control or upon
satisfaction of such performance requirements deemed appropriate by the
Committee. Notwithstanding the foregoing, for any restricted stock that is
intended by the Committee to satisfy the requirements for "performance-based
compensation" under Section 162(m) of the Code, the performance criteria will
be a measure based on one or more "qualifying performance criteria," as
described below. Notwithstanding satisfaction of any completion of service or
performance goals, the number of shares granted, issued, retainable and/or
vested under a restricted stock award may be reduced by the Committee on the
basis of such further considerations as the Committee in its sole discretion
will determine.

Incentive Awards. The Incentive Plan authorizes the grant of incentive
awards pursuant to which a participant may become entitled to receive an
amount, which may be paid in cash, stock or stock units, based on satisfaction
of such performance criteria as are specified by the Committee. Subject to the
express provisions of the Incentive Plan and as discussed in this paragraph,
the Committee has discretion to determine the terms of any incentive award,
including:

the target;

minimum and maximum amount payable to a participant as an incentive
award;

the performance criteria (which may be based on financial performance
and/or personal performance evaluations) and level of achievement versus
these criteria which determines the amount payable under an incentive
award;

the fiscal year(s) as to which performance will be measured for
determining the amount of any payment;

the timing of any payment earned by virtue of performance;

restrictions on the alienation or transfer of an incentive award prior
to actual payment;

forfeiture provisions; and

such further terms and conditions, in each case not inconsistent with
the Incentive Plan, as the Committee may determine from time to time.

All or any portion of an incentive award may be designed to qualify as
"performance-based compensation" that is exempt from the $1 million limit on
deductible compensation under Section 162(m) of the Code. The performance
criteria for any portion of an incentive award that is intended to satisfy the
requirements for "performance-based compensation" will be a measure based on
one or more "qualifying performance criteria," as described below.
Notwithstanding satisfaction of any performance goals, the amount paid under an incentive award may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion will determine.

Stock Unit Awards. A "stock unit" is a bookkeeping entry representing an amount equivalent to the fair market value of one share of common stock, also referred to as "restricted units" or "shadow stock." Stock units may be settled in common stock or cash. The grant, issuance, retention and/or vesting of stock units will be subject to such performance conditions and to such further terms and conditions as the Committee deems appropriate. Each stock unit award will reflect:

1. the number of stock units subject to such award or a formula for determining such;
2. the performance criteria and level of achievement versus these criteria which will determine the number of stock units granted, issued, retainable and/or vested;
3. the period as to which performance will be measured for determining achievement of performance;
4. forfeiture provisions; and
5. such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Committee.

Stock units may also be issued upon exercise of stock options, may be granted in payment and satisfaction of incentive awards and may be issued in lieu of any other compensation that the Committee elects to be paid in the form of stock units.

The grant, issuance, retention and/or vesting of each stock unit will be subject to such performance criteria and level of achievement versus these criteria as the Committee may determine, which criteria may be based on financial performance, personal performance evaluations and/or completion of service by the participant. However, no stock unit will first vest within one year from its date of grant, other than upon death, disability, a change of control or upon satisfaction of such performance requirements as deemed appropriate by the Committee. Notwithstanding anything to the contrary in this paragraph, the performance criteria for any stock unit that is intended by the Committee to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code will be a measure based on one or more "qualifying performance criteria" selected by the Committee and specified at the time the stock unit is granted.

The Committee will determine the timing of award of any stock unit. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a participant to elect for the award or vesting of any stock unit to be deferred to a specified date or event. The Committee may provide for a participant to have the option for his or her stock unit, or such portion thereof as the Committee may specify, to be granted in whole or in part in shares. The Committee may provide for stock units to be settled in cash or shares (at the election of New Fluor or the participant, as specified by the Committee) and to be made at such other times as it determines appropriate or as it permits a participant to choose. Notwithstanding satisfaction of any completion of service or performance goals, the number of stock units granted, issued, retainable and/or vested under a stock unit award may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion will determine.

Qualifying Performance Criteria and Section 162(m) Limits. The performance criteria for any restricted stock, incentive award or stock unit that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code will be any one or more of the following performance
criteria, either individually, alternatively or in any combination, applied to
either New Fluor as a whole or to a business unit or subsidiary, and measured
either annually or cumulatively over a period of years, on an absolute basis or
relative to a pre-established target, to previous years' results or to a
designated comparison group, in each case as specified by the Committee in the
award:

- cash flow;
- earnings (including gross margin, earnings before interest and taxes, or
  EBIT, earnings before taxes, or EBT, and net earnings);
- earnings per share;
- growth in earnings or earnings per share;
- stock price;
- return on equity or average stockholders' equity;
- total stockholder return;
- return on capital;
- return on assets or net assets;
- return on investment;
- revenue;
- income or net income;
- operating income or net operating income;
- operating profit or net operating profit;
- operating margin;
- return on operating revenue;
- market share;
- contract awards or backlog;
- overhead or other expense reduction;
- growth in stockholder value relative to the two-year moving average of
  the S&P 500 Index;
- growth in stockholder value relative to the two-year moving average of
  the Dow Jones Heavy Construction Index;
- credit rating;
- strategic plan development and implementation;
- succession plan development and implementation;
- retention of executive talent;
- improvement in workforce diversity;
- return on average stockholders' equity relative to the ten-year Treasury
  yield;
- improvement in safety records;
- capital resource management plan development and implementation;
- improved financial controls plan development and implementation;
- corporate tax savings;
- corporate cost of capital reduction;
- investor relations program development and implementation;
- corporate relations program development and implementation;
- executive performance plan development and implementation; and
- tax provision rate for financial statement purposes.

The Committee will appropriately adjust any evaluation of performance under
a qualifying performance criteria to exclude any of the following events that
occurs during a performance period:

- asset write-downs;
- litigation or claim judgments or settlements;
- the effect of changes in tax law, accounting principles or other laws or
  provisions affecting reported results;
- accruals for reorganization and restructuring programs; and
- any extraordinary non-recurring items as described in Accounting
  Principles Board Opinion No. 30 and/or in management's discussion and
  analysis of financial condition and results of operations appearing in
  New Fluor's annual report to stockholders for the applicable year.
The aggregate number of shares subject to options granted under the Incentive Plan during any calendar year to any one participant may not exceed 750,000. The aggregate number of shares issued or issuable under any incentive awards, restricted stock awards or stock unit awards (other than stock units issued or issuable upon exercise of options) granted under the Incentive Plan during any calendar year to any one participant may not exceed 150,000. The maximum amount payable pursuant to that portion of an incentive award granted for any fiscal year to any person that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code may not exceed $3 million. However, the foregoing limits do not apply to and are not affected by awards granted in assumption of those that are issued prior to the Distribution under Fluor Corporation plans and converted into New Fluor awards upon the Distribution.

Change of Control. The Committee may provide that in connection with a change of control, awards will become exercisable, payable, vested, paid or canceled, and may provide for an absolute or conditional exercise, payment or lapse of conditions or restrictions on an award which would be effective only if, upon the announcement of a transaction intended or reasonably expected to result in a change of control, no provision is made under the terms of such transaction for the holder of an award to realize the full benefit of the award.

A change of control of New Fluor shall be deemed to have occurred if (1) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, acquires shares of New Fluor having twenty-five percent or more of the total number of votes that may be cast for the election of directors of New Fluor or (2) as a result of any cash tender or exchange offer, merger or other business combination, or any combination of the foregoing transactions, the persons who were directors of New Fluor before such transaction shall cease to constitute a majority of the board of directors of New Fluor or any successor to New Fluor.

Transferability of Awards. Generally, awards granted under the Incentive Plan may not be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner prior to the vesting or lapse of any and all restrictions applicable to the award, other than by will or the laws of descent and distribution, except that the Committee may permit an award to be transferable to a member or members of the participant's family or to entities owned or established for the benefit of a participant’s family.

Amendments and Termination. The board may amend, alter or discontinue the Incentive Plan or any agreement evidencing an award made under the Incentive Plan, but no such amendment may, without the approval of the shareholders of New Fluor:

. materially increase the maximum number of shares of common stock for which awards may be granted under the Incentive Plan;

. reduce the price at which stock options may be granted below the price specified in the Incentive Plan;

. take any action to reduce or adjust downward the exercise price of outstanding stock options;

. after the date of a change of control, impair the rights of any award holder, without such holder's consent, under any award granted prior to the date of any change of control;

. extend the term of the Incentive Plan; or

. change the class of persons eligible to be participants.

No stock option award, restricted stock award or incentive award granted
Federal Income Tax Consequences. The following discussion of the federal income tax consequences of the Incentive Plan is intended to be a summary of applicable federal law as currently in effect. State and local tax consequences may differ and may be amended or interpreted differently during the term of the Incentive Plan or of options granted under the Incentive Plan. Because the federal income tax rules governing options and related payments are complex and subject to frequent change, optionees are advised to consult their tax advisors prior to exercise of options or dispositions of stock acquired pursuant to option exercise.

Incentive stock options and non-qualified stock options are treated differently for federal income tax purposes. Incentive stock options are intended to comply with the requirements of Section 422 of the Code. Non-qualified stock options need not comply with such requirements.

An optionee is not taxed on the grant or exercise of an incentive stock option. The difference between the exercise price and the fair market value of the shares on the exercise date will, however, be taken into account for purposes of the alternative minimum tax. If an optionee holds the shares acquired upon exercise of an incentive stock option for at least two years following the option grant date and at least one year following exercise, the optionee's gain, if any, upon a subsequent disposition of such shares is long-term capital gain. The measure of the gain is the difference between the proceeds received on disposition and the optionee's basis in the shares (which generally equals the exercise price). If an optionee disposes of stock acquired pursuant to exercise of an incentive stock option before satisfying the one- and two-year holding periods described above, the optionee may recognize both ordinary income and capital gain in the year of disposition. The amount of the ordinary income will be the lesser of the amount realized on disposition or the fair market value of the stock on the exercise date reduced in both instances by the exercise price. The excess of the consideration received on such a disposition over the lesser of the amount realized on disposition or the fair market value of the stock on the exercise date will generally be long-term capital gain if the stock had been held for more than one year following exercise of the incentive stock option. New Fluor is not entitled to an income tax deduction on the grant or exercise of an incentive stock option or on the optionee's disposition of the shares after satisfying the holding period requirement described above. If the holding periods are not satisfied, New Fluor will be entitled to a deduction in the year the optionee disposes of the shares in an amount equal to the ordinary income recognized by the optionee.

An optionee is not taxed on the grant of a non-qualified stock option. On exercise, however, the optionee recognizes ordinary income equal to the excess of the fair market value of the shares acquired on the date of exercise over the exercise price. New Fluor is entitled to an income tax deduction in the year of exercise in the amount recognized by the optionee as ordinary income. Any gain on subsequent disposition of the shares is long-term capital gain if the shares are held for more than one year following exercise. New Fluor does not receive a deduction for this gain.

An employee who receives restricted stock subject to restrictions which create a "substantial risk of forfeiture" (within the meaning of Section 83 of the Code) will normally realize taxable income on the date the shares become transferable or no longer subject to substantial risk of forfeiture or on the date of their earlier disposition. The amount of such taxable income will be equal to the amount by which the fair market value of the shares of common stock on the date such restrictions lapse (or any earlier date on which the shares become transferable or are disposed of) exceeds their purchase price, if any.

An employee may elect, however, to include in income in the year of grant the excess of the fair market value of the shares of common stock (without regard to any restrictions) over their purchase price, if any, on the date of grant.
Upon accelerated exercisability of options and accelerated lapsing of restrictions upon restricted stock in connection with a change of control of New Fluor, certain amounts associated with such awards could, depending upon the individual circumstances of the recipient participant, constitute "excess parachute payments" under the golden parachute provisions of the Code. Pursuant to these provisions a participant will be subject to a 20% excise tax on any excess parachute payment and New Fluor will be denied any deduction with respect to such excess parachute payment. The limit on the deductibility of compensation under Section 162(m) of the Code is also reduced by the amount of any excess parachute payments. Whether amounts constitute excess parachute payments depends upon, among other things, the value of the awards accelerated and the past compensation of the participant.

As described above, options granted under the Incentive Plan may qualify as "performance-based compensation" under Section 162(m) of the Code in order to preserve federal income tax deductions by New Fluor with respect to annual compensation required to be taken into account under Section 162 of the Code that is in excess of $1 million and paid to a "covered employee" (as defined under the Section 162 regulations). To so qualify, options must have an exercise price at least equal to the fair market value of the underlying shares on the date of grant, be awarded by a committee consisting solely of two or more "outside directors" (as defined under the Section 162 regulations) and satisfy the Incentive Plan's limit on the total number of shares subject to options that may be awarded to any one participant during any calendar year.

Initial Grants. To date, no awards have been granted under the Incentive Plan. As indicated above, upon consummation of the Distribution, each outstanding Fluor Corporation stock-based element of incentive compensation, such as options, restricted shares and units, SARs and shadow stock, which are held by current or former executive officers and key employees of New Fluor will be assumed by New Fluor and converted into New Fluor awards issued under the Incentive Plan. The Committee has full discretion to determine the timing and recipients of any stock option grants under the Incentive Plan and the number of shares subject to any such options which may be granted under the Incentive Plan, subject to an annual limitation on the total number of options that may be granted to any one participant during any calendar year.

Change of Control Provisions in New Fluor Stock Awards

Upon consummation of the Distribution, New Fluor will assume the stock options, restricted shares and units, SARs and shadow stock awards which were originally granted under Fluor Corporation's stock plans. These awards contain restrictions on exercisability and transferability which are premised on continued service with New Fluor or its subsidiaries and which lapse if the holder's employment is terminated for any reason within two years following a change of control of New Fluor. A change of control of New Fluor shall be deemed to have occurred if (1) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, acquires shares of New Fluor having twenty-five percent of more of the total number of votes that may be cast for the election of directors of New Fluor or (2) as a result of any cash tender or exchange offer, merger or other business combination, or any combination of the foregoing transactions, the persons who were directors of New Fluor before such transaction shall cease to constitute a majority of the board of directors of New Fluor or any successor to New Fluor. New Fluor does not intend to treat the Distribution as a change of control under these awards.

Employment Contracts and Termination of Employment Arrangements for New Fluor Executive Officers

Following the Distribution, New Fluor will assume the employment agreements
and retention arrangements between Fluor Corporation and New Fluor's named executive officers as described below. In addition, following the Distribution, it is the intention of New Fluor to implement executive compensation programs which mirror the executive compensation programs of Fluor Corporation. The descriptions of the employment agreements and retention arrangements in this section give effect to the assumption and implementation by New Fluor of these employment agreements, retention arrangements and executive compensation programs.

Employment Contracts

Effective as of July 1, 1998, Fluor Corporation entered into an employment agreement with Mr. Carroll, which New Fluor will assume, as Chairman and Chief Executive Officer for a term commencing July 15, 1998 and ending July 14, 2003. Mr. Carroll's employment agreement provides for a starting base salary of $900,000 per year, subject to adjustment in accordance with compensation practice for senior management employees to be established by New Fluor. Mr. Carroll is eligible for an annual bonus with a target level of not less than $825,000, prorated for partial years of employment. Consistent with the annual bonus program to be established by New Fluor, the bonus may range from zero up to two times the target level, based on performance measured against specific criteria established by New Fluor's Organization and Compensation Committee. Mr. Carroll received a bonus of $1,000,000 in fiscal year 1999 from Fluor Corporation.

In addition, Mr. Carroll is to receive a non-discretionary annual incentive bonus of $100,000, which Fluor Corporation's Organization and Compensation Committee decided to increase to $200,000 for fiscal year 1999, prorated for partial years of employment, and which was deferred under Fluor Corporation's Executive Deferred Compensation Program. New Fluor will assume the Executive Deferred Compensation Program following the Distribution.

Mr. Carroll is eligible for a cash long-term incentive award for the 1999-2001 three-year performance cycle at a target level of not less than $240,000. Under the Long-Term Incentive Program to be established by New Fluor, this award may range from zero up to two times the target level, based on New Fluor's performance over the performance cycle.

Upon commencement of his duties, Mr. Carroll was granted an option to purchase 200,000 shares of Fluor Corporation Common Stock which became exercisable with respect to 20% of the shares on the date of grant and becomes exercisable with respect to 20% of the shares on each of the next four anniversaries of the grant date. A portion of this grant, 10,925 shares, was granted as an incentive stock option within the meaning of Section 422 of the Code. The agreement also provided for an additional grant of stock options, restricted stock and restricted units, which was made on December 8, 1998, for 57,940 options, 11,300 shares of restricted stock and 6,500 restricted units. The additional options will vest 25% on each of the next four anniversaries of the date of grant, and the restricted stock and units vest 10% on each of the next ten anniversaries of the grant date.

At the same time Mr. Carroll was also granted 148,634 shadow stock units which become exercisable if Mr. Carroll remains continuously employed through the full term of the agreement, or if Mr. Carroll's employment terminates due to death or disability, is terminated by New Fluor without "cause," is terminated by Mr. Carroll for "good reason," or is terminated following a "change of control" (as such terms are defined in the agreement). In the event Mr. Carroll's employment terminates prior to the expiration of the term for any reason other than the foregoing, the units will become exercisable as of the date of termination as to a pro rata amount, prorated daily during the term. All items of Fluor Corporation stock-based compensation granted to Mr. Carroll described in this paragraph and the preceding paragraph will be converted into similar items of New Fluor stock-based compensation as described in "--New Fluor Treatment of Outstanding Fluor Corporation Compensatory Stock Awards."
Mr. Carroll has also been provided with a loan in the principal amount of $5,000,000 to facilitate the purchase of a residence in the Southern California area in connection with his relocation from Houston, Texas. The loan, which will be transferred from Fluor Corporation to New Fluor upon the Distribution, and which is secured by a first trust deed on the residence, provides for an interest rate of 5.68%, payable annually, with a balloon payment of the entire amount due on January 15, 2004. The loan is subject to acceleration in the event of Mr. Carroll's termination of employment for any reason prior to the expiration of the term of the agreement.

The agreement also confirms Mr. Carroll's participation in various incentive and employee benefit plans and programs as may be in effect from time to time with respect to executives employed by Fluor Corporation, including, but not limited to, automobile use and expense reimbursement, reimbursement of relocation expenses, and participation in Fluor Corporation's deferred compensation program, retirement plans, group health insurance plans and executive health care plan. New Fluor will assume these executive compensation programs or implement similar programs. Mr. Carroll is also entitled to reimbursement for certain legal, accounting and tax preparation services as well as reimbursement of certain country club expenses. In addition, the agreement provides Mr. Carroll a death benefit under Fluor Corporation's Executive Supplemental Benefit Plan, which has been set at $5,000,000 and which will be assumed by New Fluor. For purposes of the plan, termination of Mr. Carroll's employment by New Fluor without "cause" or by Mr. Carroll for "good reason" shall constitute an approved early retirement.

New Fluor may terminate Mr. Carroll's employment at any time for "cause" if a majority of the non-employee members of the New Fluor Board vote in favor of such termination or without "cause" on 30 days notice by New Fluor. Mr. Carroll may terminate his employment at any time for "good reason." "Good reason" includes, among other things, a reduction in Mr. Carroll's base salary or other benefit levels, a significant diminution in Mr. Carroll's duties and responsibilities and the assignment to Mr. Carroll of duties and responsibilities inconsistent with his position as Chairman and Chief Executive Officer. Mr. Carroll may also terminate his employment at any time on 30 days notice, but such termination would not be considered for "good reason" unless the specific requirements for "good reason" were met.

The agreement also provides for stipulated payments in connection with the termination of Mr. Carroll's employment. Upon termination for any reason, New Fluor will be obligated to pay Mr. Carroll as a minimum amount all accrued and unpaid base salary, any unpaid bonus and certain other unpaid amounts, and will provide Mr. Carroll title to the automobile provided under the agreement, provided that Mr. Carroll was employed for at least two years prior to the termination of his employment.

In the event of Mr. Carroll's termination of employment upon disability, New Fluor will be obligated to pay Mr. Carroll, in addition to the minimum amount:

- his base salary for a period of one year following such termination;
- a prorated portion of the target bonus for the year in which the termination occurs;
- a prorated portion of the long-term incentive award for each performance cycle in which such termination of employment occurs; and
- long-term disability payments equal to 60% of his base salary beginning one year after such termination and continuing for two years, or until his death or attainment of age 65, whichever occurs first.

Mr. Carroll's reduced base salary payments and long-term disability payments will be reduced by any long-term disability payments he receives from any disability plan or programs contributed to by New Fluor.
If Mr. Carroll's employment is terminated by New Fluor without "cause" or by Mr. Carroll for "good reason," New Fluor will be obligated to pay Mr. Carroll, in addition to the minimum amount:

1. his base salary for the lesser of three years or the remaining term of the agreement;

2. annual bonuses equal to the target bonus for the year of his termination for the lesser of three years or the remaining term of the agreement, including a prorated bonus for any partial year;

3. long-term incentive awards equal to the target award for each performance cycle for the lesser of three years or the remaining term of the agreement, also prorated; and

4. a lump-sum cash payment amount equal to the excess, if any, of (1) a pro-rata amount, prorated daily during the term, of Mr. Carroll's $5,000,000 residence loan, over (2) the value at the date of termination of the 148,634 shadow stock units awarded to Mr. Carroll at the commencement of his employment.

This conditional amount is only payable in the event of termination by New Fluor without "cause" or termination by the executive for "good reason." In addition, if a "change of control" occurs within two years after such a termination, Mr. Carroll will be entitled to receive a lump-sum payment of the foregoing amounts.

Retention Arrangements

In order to strengthen the retention of the services of Mr. Stein, currently the President and Chief Executive Officer of Fluor Global Services, Mr. Rollans, currently the President and Chief Executive Officer of Fluor Signature Services, and Mr. Boeckmann, currently the President and Chief Executive Officer of Fluor Daniel, Messrs. Stein, Rollans and Boeckmann were provided with retention arrangements whereby each officer can earn $1,743,159, $1,122,424 and $2,500,000, respectively (plus investment return on amounts conditionally credited to him on a pro rata basis during the term of his arrangement), if he remains continuously employed until October 31, 2001, or January 1, 2004 in the case of Mr. Boeckmann. These retention arrangements will be assumed by New Fluor following the Distribution. The amounts under the arrangements will be credited into the officers' accounts in New Fluor's Deferred Compensation Program if they remain continuously employed until October 31, 2001, or January 1, 2004 in the case of Mr. Boeckmann, or their employment terminates prior to that date due to death or disability or a company-initiated reduction in force, or following a change of control. In the event their employment terminates prior to such vesting date for any reason other than the foregoing, then all of the amount will be forfeited.

Under the retention arrangements, Messrs. Stein and Rollans were also provided with loans in the amount of $1,006,841 and $1,627,576, respectively. The loans, which will be assumed by New Fluor and which are secured by deeds of trust on their residences, each provide for an interest rate of 4.52%, compounded annually with a balloon payment of the entire amount due on termination of employment. The loans are subject to acceleration in the event of the officers' termination of employment for any reason prior to October 31, 2001. The loans will be forgiven upon their termination of employment on or after October 31, 2001, or if their employment terminates prior to that date due to death or disability or any termination by New Fluor other than for cause, or following a change of control.

Mr. Boeckmann's retention arrangement also includes an incentive portion, pursuant to which Mr. Boeckmann has been granted 60,600 shares of restricted stock and 40,400 tandem-restricted units. The earnings of these shares and units will be based upon the achievement of pre-established annual performance
objectives to be determined annually by the Organization and Compensation Committee of the New Fluor board. The award will be earned in 25% increments if established objectives for each of the four fiscal years beginning October 31, 2000 are achieved. If the annual objective is not achieved in any fiscal year, then that portion of the award is forfeited. The earned restricted stock and units will vest at the end of the four-year performance period on January 1, 2004. The entire award, both earned and unearned portions, will be forfeited if Mr. Boeckmann voluntarily terminates his employment or is terminated for cause prior to January 1, 2004. All items of Fluor Corporation stock-based compensation granted to Mr. Boeckmann described in this paragraph will be converted into similar items of New Fluor stock-based compensation as described in "--New Fluor Treatment of Outstanding Fluor Corporation Compensatory Stock Awards."

Loans

In December 1997, Mr. Stein received an interest-free loan in the amount of $1,000,000 which Mr. Stein used to purchase his new residence in connection with Mr. Stein's relocation to Fluor Corporation's California headquarters. The loan requires payment of principal in yearly installments equal to 50% of Mr. Stein's after-tax proceeds from his annual incentive compensation award commencing February 1, 2000, with the remaining balance due February 1, 2006. The loan is secured by a deed of trust on Mr. Stein's residence. New Fluor will assume this loan in connection with the Distribution.

NEW FLUOR CERTAIN RELATIONSHIPS
AND RELATED TRANSACTIONS

Since the beginning of the fiscal year ended October 31, 1997, Fluor Corporation has engaged in the following transactions with persons expected to serve as New Fluor's directors and executive officers after the Distribution.

In addition to the loans described above in "Management of New Fluor--Employment Contracts and Termination of Employment Arrangements for New Fluor Executive Officers," Fluor Corporation has made interest-free housing loans to the following persons expected to be executive officers of New Fluor in the amounts indicated: Mr. Ralph F. Hake, Executive Vice President and Chief Financial Officer of New Fluor--$2,000,000; and Mr. Alan L. Boeckmann, President and Chief Executive Officer of Fluor Daniel--$350,000. The loan advanced to Mr. Hake is payable in five equal annual installments commencing in 2000; and the loan advanced to Mr. Boeckmann is payable in four equal annual installments commencing in 2000. New Fluor will assume both loans in connection with the Distribution.

MANAGEMENT OF MASSEY

Massey Board of Directors

The business of Massey will be managed under the direction of its board of directors. The six persons listed in the table below are expected to serve as the directors of Massey after the Distribution. Massey may add additional directors in the months following the Distribution. Similar to the current Fluor Corporation board of directors, the Massey board of directors will be divided into three classes. Directors for each class will be elected at the annual meeting of shareholders held in the year in which the term for such class expires and will serve thereafter for three years.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Class</th>
<th>Initial Term</th>
<th>Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>----</td>
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<td>-----</td>
<td>------------</td>
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</tr>
</tbody>
</table>
Set forth below is information concerning each person expected to serve as a
director of Massey after the Distribution. For information concerning Mr.
Blankenship, see "—Massey Executive Officers" below.

James L. Gardner is an attorney in private practice. Mr. Gardner previously
served as Senior Vice President and General Counsel of A.T. Massey Coal

E. Gordon Gee is the Chancellor of Vanderbilt University. Mr. Gee also
serves as a director of Dollar General Corporation, The Ullman Fund, Allmerica
Financial Services, Hasbro, Inc., Intimate Brands, Inc., Glimcher Realty Trust
and The Limited.

William R. Grant is the co-founder of Galen Partners. Mr. Grant also serves
as a director of Allergan, Inc., MiniMed, Inc., Ocular Sciences, Inc. and
Westegaard.com. He is a member of the General Electric Advisory Board, Trustee
for the Center of Blood Research (Harvard) and Trustee, Emeritus, Mary Flager
Cary Charitable Trust.

Admiral Bobby R. Inman U.S. Navy (retired), served as Director of the
National Security Agency and Deputy Director of Central Intelligence. He is
also a director of Science Applications International Corporation, SBC
Communications Inc., Temple-Inland Inc. and Xerox Corporation, and after the
Distribution will be a director of New Fluor.

Dr. Martha R. Seger is a distinguished visiting professor of Finance at
Adrian College and a former member of the Board of Governors of the Federal
Reserve System. She is also a director of Kroger Company, Tucson Electric Power
Company and Xerox Corporation, and after the Distribution will be a director of
New Fluor.

Committees of Massey Board

The standing committees of the Massey board of directors will consist of an
Audit Committee, a Compensation Committee and an Executive Committee.

Audit Committee

The principal duties of the Audit Committee are as follows:

. to nominate the firm of independent outside auditors for appointment by
  the board;

. to meet with Massey's financial management, internal audit management
  and independent outside auditors to review matters relating to Massey's
  internal accounting controls, internal audit program,

  accounting practices and procedures of the outside audit, the independence of the outside auditors and other
  matters relating to the financial condition of Massey;

. to review Massey's annual report to shareholders, proxy materials and
  annual report on Form 10-K for filing with the Securities and Exchange
  Commission; and

. to report to the board periodically any recommendations the Audit
Committee may have with respect to the foregoing matters.

The Audit Committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

The members of the Audit Committee are expected to be William R. Grant, Martha R. Seger and E. Gordon Gee, none of whom is a current or former officer or employee of Massey or any of its subsidiaries.

Compensation Committee

The principal duties of the Compensation Committee are as follows:

. to review corporate organizational structures;
. to review key employee compensation policies, plans and programs;
. to monitor performance and compensation of employee-directors and officers of Massey and other key employees;
. to prepare recommendations and periodic reports to the board concerning such matters; and
. to function as the committee which administers the long-term incentive programs referred to in "--Compensation of Massey Executive Officers" below.

The members of the Compensation Committee are expected to be Bobby R. Inman, William R. Grant and Martha R. Seger, none of whom is a current or former officer or employee of Massey or its subsidiaries.

Governance Committee

The function of the Governance Committee is as follows:

. to seek out, evaluate and recommend to the board qualified nominees for election as directors of Massey;
. to recommend directors of Massey for election as members of committees of the board; and
. to consider other matters including the size and composition of the board and committees and other issues of corporate governance.

The members of the Governance Committee are expected to be James L. Gardner, E. Gordon Gee, William R. Grant and Bobby R. Inman.

Executive Committee

When the Massey board is not in session, the Executive Committee will have all of the power and authority of the board except with respect to:

. amending Massey's Restated Certificate of Incorporation and Bylaws;
. adopting an agreement of merger or consolidation;
. recommending to the shareholders the sale, lease or exchange of all or substantially all of Massey's property and assets;
. recommending to the shareholders a dissolution of Massey or a revocation of such dissolution;
. declaring a dividend; or
The members of the Executive Committee are expected to be Don L. Blankenship, James L. Gardner, William R. Grant and Bobby R. Inman.

Compensation Committee Interlocks and Insider Participation

None of Massey's executive officers has served as a director or member of the compensation committee, or other committee serving an equivalent function, of any entity of which an executive officer is expected to serve as a member of Massey's Compensation Committee.

Compensation of Massey Directors

Following the Distribution, Massey will implement director compensation programs as described in this section. Five of the six persons expected to serve as directors of Massey will not be salaried employees of Massey or its subsidiaries. For their services, these non-employee directors will be paid a retainer at the annual rate of $30,000 or, in the case of directors also serving as chairman of board committees, $34,000, plus a fee of $2,000 per day for each day upon which one or more board or board committee meetings are attended. Salaried employees will receive no additional compensation for their services as directors. Directors are permitted to defer receipt of directors' fees until their retirement or other termination of status as a director. Amounts deferred at the election of the director either accrue interest at rates fixed from time to time by the Executive Committee or are valued as if having been invested in Massey Common Stock.

After the Distribution, Massey will maintain and continue the Fluor Corporation Stock Plan for Non-Employee Directors, referred to as the Director Stock Plan, and the Fluor Corporation Restricted Stock Plan for Non-Employee Directors, referred to as the Director Restricted Stock Plan. Directors who are not employees of Massey or its subsidiaries will be eligible to participate in the Director Stock Plan and the Director Restricted Stock Plan.

The Director Stock Plan provides that participants are eligible to receive, when they become directors, 1,000 shares of restricted common stock and restricted units, subject to adjustment for the adjustment ratio described in "--Massey Treatment of Outstanding Fluor Compensatory Stock Awards" below, in an amount determined by the Compensation Committee which are payable in cash to assist in satisfying related income tax liabilities. After the Distribution, the number of shares subject to each of these grants will be adjusted according to the same methodology applied to Fluor Corporation restricted shares and units, as described below under "--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards." Awards are made on a date determined by the Compensation Committee following appointment. Restrictions lapse on 20% of the shares on March 14 next following the date of the initial award. Restrictions lapse on the balance of the shares in four equal increments on each succeeding March 14.

In addition to benefits available under the Director Stock Plan, directors who are not employees of Massey or its subsidiaries will be eligible to receive grants of restricted common stock under the Massey Restricted Stock Plan for Non-Employee Directors, referred to as the Director Restricted Stock Plan. The Director Restricted Stock Plan provides for annual grants of 500 shares of restricted stock, subject to adjustment for the adjustment ratio described in "--Massey Treatment of Outstanding Fluor Compensatory Stock Awards" below, to each eligible director, which grants are made as of the first board meeting in any calendar year during which such director serves as a member of the board. After the Distribution, the number of shares subject to each of these grants will be adjusted according to the same methodology applied to Fluor Corporation restricted shares and units, as described below under "--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards." Restrictions on all stock granted under the plan lapse once such stock has been held for at least six months, the applicable director has served on the board for at least six years and the director either retires from the board, dies or becomes permanently and totally disabled or a change of control occurs.
Massey Executive Officers

The following table lists the seven persons who are expected to serve as executive officers of Massey immediately following the Distribution.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Expected Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don L. Blankenship...........</td>
<td>50</td>
<td>Chairman, Chief Executive Officer and President</td>
</tr>
<tr>
<td>Bennett K. Hatfield..........</td>
<td>43</td>
<td>Executive Vice President and Chief Operating Officer</td>
</tr>
<tr>
<td>H. Drexel Short..............</td>
<td>44</td>
<td>Senior Vice President, Group Operations</td>
</tr>
<tr>
<td>Roger L. Nicholson..........</td>
<td>40</td>
<td>Vice President, Secretary and General Counsel</td>
</tr>
<tr>
<td>Jeffrey M. Jarosinski, Jr...</td>
<td>40</td>
<td>Vice President, Finance and Chief Financial Officer</td>
</tr>
<tr>
<td>Baxter F. Phillips, Jr.......</td>
<td>53</td>
<td>Vice President and Treasurer</td>
</tr>
<tr>
<td>Madeleine M. Curle..........</td>
<td>41</td>
<td>Vice President, Human Resources</td>
</tr>
</tbody>
</table>

Set forth below is information concerning each person expected to serve as an executive officer of Massey after the Distribution.

Don L. Blankenship has been a director of Fluor Corporation since 1996 and the President and Chief Executive Officer of A.T. Massey Coal Company, Inc. (/1/) since 1992. Mr. Blankenship was formerly the President and Chief Operating Officer of A.T. Massey Coal Company from 1990 and President of Massey Coal Services, Inc. (/2/) from 1989. Mr. Blankenship joined Rawl Sales & Processing Co. (/3/) in 1982. Mr. Blankenship also serves as a director of the National Mining Association, the Governor's Mission West Virginia Board and the Norfolk Southern Advisory Board.

Bennett K. Hatfield has been Executive Vice President and Chief Operating Officer of A.T. Massey Coal Company, Inc. (/1/) since June 1998. Mr. Hatfield was formerly Senior Vice President and Chief Administrative Officer of A.T. Massey from December 1997 to May 1998, Vice President--Planning of A.T. Massey from November 1994 to November 1997, and Executive Vice President and Chief Coordinating Officer, NS Region of Massey Coal Services, Inc. (/2/) from 1991. Mr. Hatfield joined A.T. Massey in 1979.

H. Drexel Short has been Senior Vice President, Group Operations of A.T. Massey since May 1995. Mr. Short was formerly Chairman of the Board and Chief Coordinating Officer of Massey Coal Services from April 1991 to April 1995. Mr. Short joined A.T. Massey in 1979.

Roger L. Nicholson has been Vice President and General Counsel of A.T. Massey since February 2000. Mr. Nicholson joined A.T. Massey in 1995 as Assistant General Counsel. Prior to joining A.T. Massey, Mr. Nicholson was associated with the law firm of Robinson & McElwee in Lexington, Kentucky. Prior to that, Mr. Nicholson served as chief real estate counsel for Arch Mineral Corporation and as vice president, secretary and general counsel of its land-holding subsidiary, Ark Land Company.

Jeffrey M. Jarosinski has been Vice President, Finance and Chief Financial Officer of A.T. Massey since September 1998. Mr. Jarosinski was formerly Vice President, Taxation of A.T. Massey from 1997 to August 1998 and Assistant Vice President, Taxation of A.T. Massey from 1993 to 1997. Mr. Jarosinski joined A.T. Massey in 1988. Prior to joining A.T. Massey, Mr. Jarosinski held various positions in accounting, most recently as Manager at Womack, Burke & Associates, CPAs in Richmond, Virginia.

Baxter F. Phillips, Jr. has been Vice President and Treasurer of A.T. Massey since October 2000. Mr. Phillips joined A.T. Massey in 1981 and has served in various capacities with A.T. Massey, including Corporate Treasurer, Manager of
Export Sales, Corporate Human Resources Manager, Vice President of Benefits and Vice President, Purchasing and Administration. Prior to joining A.T. Massey, Mr. Phillips held various positions in banking and investments.

Madeleine M. Curle has been Vice President, Human Resources of A.T. Massey since May 2000. Ms. Curle was formerly Vice President, Benefits from December 1995 to April 2000, Assistant Vice President, Benefits Planning and Administration from May 1995 to November 1995, and Director, Medical and Retirement Programs from January 1995 to April 1995. Ms. Curle joined A.T. Massey in October 1993. Prior to joining A.T. Massey, Ms. Curle served as an employee benefits consultant at Foster Higgins, a national consulting firm (recently merged with William M. Mercer, Inc.).

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(1) A.T. Massey Coal Company, Inc., or A.T. Massey, is an indirectly wholly-owned subsidiary of Fluor Corporation, which, along with A.T. Massey's subsidiaries, conducts A.T. Massey's coal-related businesses.
(2) Massey Coal Services, Inc. is a wholly-owned subsidiary of A.T. Massey.
(3) Rawl Sales & Processing Co. is a wholly-owned subsidiary of A.T. Massey.

Compensation of Massey Executive Officers

The following table provides information concerning aggregate cash compensation, stock-based compensation and other compensation paid by Fluor Corporation for services rendered to it in the fiscal year ended October 31, 1999 by Massey's Chief Executive Officer and each of the persons who are anticipated to be one of Massey's four other most highly compensated executive officers following the Distribution, collectively referred to as the named executive officers. During the period presented, the named executive officers were compensated in accordance with Fluor Corporation's plans and policies.

Stock-based compensation described in the following table is expressed in shares of Fluor Corporation Common Stock. Upon consummation of the Distribution, each outstanding Fluor Corporation stock-based item of compensation held by the named executive officers will be converted into a Massey stock-based item of compensation of a similar nature. See "--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards" below.

Summary Compensation Table for Services Rendered to Fluor Corporation

<table>
<thead>
<tr>
<th>Name and Principal Position with New Fluor</th>
<th>Fiscal Year</th>
<th>Annual Compensation</th>
<th>Long Term Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Senior Vice President, Group Operations, A.T. Massey Coal Company, Inc.</td>
<td>1999</td>
<td>205,920 192,300 16,671</td>
</tr>
<tr>
<td>Bennett K. Hatfield..... Executive Vice President and Chief Operating Officer, A.T. Massey Coal Company, Inc.</td>
<td>1999</td>
<td>275,000 270,000 17,047</td>
<td>22,724 2,800 126,000 24,640</td>
</tr>
<tr>
<td>Don L. Blankenship...... President and Chief Executive Officer, A.T. Massey Coal Company, Inc.</td>
<td>1999</td>
<td>691,690 625,000 58,060</td>
<td>3,404,729 16,260 134,700 178,476</td>
</tr>
</tbody>
</table>
Jeffrey M. Jarosinski... 1999 141,667 93,000 4,512 22,724 2,800 67,500 9,878
Vice President, Finance and Chief Financial Officer, A.T. Massey Coal Company, Inc.
Baxter F. Phillips, Jr.. 1999 134,167 92,000 8,607 20,151 2,500 114,000 11,200
Vice President and Treasurer, A.T. Massey Coal Company, Inc.

(1) Amounts shown include cash compensation earned and received by the named executive officers as well as amounts earned but deferred at the election of those officers.

(2) Amounts shown in this column represent restricted unit payments for the benefit of each named executive officer to compensate for federal and state withholding taxes arising from the lapse of restrictions on restricted stock held by such officer.

(3) The amount reported in the table includes restricted stock and shadow stock, and represents the market value at the date of grant, without giving effect to the diminution in value attributable to the restrictions on such stock. In fiscal year 1999, Fluor Corporation awarded 23,972 shares of restricted stock and 60,000 shares of shadow stock to all named executive officers as a group. With respect to shares of restricted stock granted in fiscal year 1999, 2,605 shares of restricted stock vest at the rate of 10% per year and 21,367 shares of restricted stock vest at the rate of 33 1/3% per year. With respect to shares of shadow stock granted in fiscal year 1999, all 60,000 shares granted to Mr. Blankenship will vest upon completion of the term of his employment agreement or sooner in certain events related to termination of his employment. As of the end of fiscal year 1999, the aggregate restricted and shadow stock holdings for each of the named executive officers consisted of the following: Mr. Blankenship, 148,501 shares with a value of $5,893,633; Mr. Hatfield, 3,620 shares with a value of $144,348; Mr. Short, 3,564 shares with a value of $142,115; Mr. Jarosinski, 1,327 shares with a value of $52,914; Mr. Phillips, 2,100 shares with a value of $83,738. Holders of restricted stock are entitled to receive dividends paid on common stock.

(4) The total amount shown for Mr. Blankenship consists of the following: $27,619--benefit attributable to Fluor Corporation-owned life insurance policy; $101,068--Fluor Corporation contributions and other allocations to defined contribution plans and related excess benefit plans; $2,557--childcare expenses; $36,343--personal use of Fluor Corporation plane and related tax gross up; $11,071--miscellaneous expenses. The total amounts shown for Messrs. Hatfield, Short, Jarosinski and Phillips consist of Fluor Corporation contributions and other allocations to defined contribution plans and related excess benefit plans.

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Option Grants in Last Fiscal Year to Purchase Fluor Corporation Common Stock

The following table provides information concerning fiscal year 1999 grants of stock options and stock appreciation right, or SARs, to purchase shares of Fluor Corporation Common Stock to Massey's named executive officers under Fluor Corporation's long-term incentive program. Options to purchase Fluor Corporation Common Stock will be converted into options to purchase Massey Common Stock. See "--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards" below.

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<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
<th>% of Total</th>
<th>Restricted Stock</th>
<th>Shadow Stock</th>
<th>Value</th>
<th>Restricted Stock Share</th>
<th>Shadow Stock Share</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeffrey M. Jarosinski...</td>
<td>141,667</td>
<td>93,000</td>
<td>4,512</td>
<td>22,724</td>
<td>2,800</td>
<td>67,500</td>
<td>9,878</td>
<td></td>
</tr>
<tr>
<td>Baxter F. Phillips, Jr.</td>
<td>134,167</td>
<td>92,000</td>
<td>8,607</td>
<td>20,151</td>
<td>2,500</td>
<td>114,000</td>
<td>11,200</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Options Granted (1)</td>
<td>Fiscal Year</td>
<td>Exercise Price(s)</td>
<td>Expiration Date</td>
<td>Present Value ($)</td>
<td></td>
<td></td>
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<td>-----------------------</td>
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</tr>
<tr>
<td>Don L. Blankenship...</td>
<td>16,260</td>
<td>1.4</td>
<td>42.875</td>
<td>12/08/08</td>
<td>226,177</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bennett K. Hatfield...</td>
<td>2,800</td>
<td>0.2</td>
<td>42.875</td>
<td>12/08/08</td>
<td>38,948</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H. Drexel Short.......</td>
<td>2,800</td>
<td>0.2</td>
<td>42.875</td>
<td>12/08/08</td>
<td>38,948</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeffrey M. Jarosinski...</td>
<td>2,800</td>
<td>0.2</td>
<td>42.875</td>
<td>12/08/08</td>
<td>38,948</td>
<td></td>
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</tr>
<tr>
<td>Baxter F. Phillips, Jr.</td>
<td>2,500</td>
<td>0.2</td>
<td>42.875</td>
<td>12/08/08</td>
<td>34,775</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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(1) The named executive officers received only grants of options in fiscal year 1999; SARs were granted to other members of Fluor Corporation's management.

(2) Options were granted with an exercise price equal to the fair market value of the underlying common stock on the date of grant. All options were granted for a term of ten years, subject to earlier termination in certain events related to termination of employment, and vest in four equal annual installments commencing 12 months after the date of grant. The exercise price and tax withholding obligations related to exercise may be paid by delivery of already owned shares or by offset of the underlying shares, subject to certain conditions. The vesting of these options may accelerate upon termination of employment following a change of control of Fluor Corporation. See "--Change of Control Provisions in Fluor Corporation Stock Plans."

(3) The Grant Date Present Value is computed using the Black-Scholes option pricing model based on the following general assumptions: (a) an expected option term of six years for options that expire ten years from the date of grant which reflects a reduction of the actual 10-year life of the option based on historical data regarding the average length of time an executive officer holds an option before exercising; (b) a risk-free interest rate that represents the interest rate on a U.S. Treasury Strip with a maturity date corresponding to that of the expected option term; (c) stock price volatility which is calculated using daily stock prices over a three-year period preceding the grant date; and (d) a dividend yield which is calculated using yields over a three-year period preceding the grant date. The specific option pricing model assumptions for the grants were as follows: $42.875 exercise price; 4.43% risk-free interest rate; 33.4% stock price volatility; and 1.37% dividend yield. Notwithstanding the fact that these options are non-transferable, no discount for lack of marketability was taken. The option value was discounted by approximately 3% for risk of forfeiture during the vesting period. The actual value, if any, an executive officer may realize will depend upon the excess of the stock price over the exercise price on the date the option is exercised, so there is no assurance that the value realized by the executive officer will be at or near the amount shown.

Aggregate Fluor Corporation Option Exercises in Last Fiscal Year and Fiscal Year End Option/SAR Values

The following table provides information concerning the exercise of Fluor Corporation options by Massey's named executive officers during fiscal year 1999 and the number and value of securities underlying unexercised Fluor Corporation options and SARs held by Massey's named executive officers as of the end of fiscal 1999. Options to purchase Fluor Corporation Common Stock will be converted into options to purchase Massey Common Stock. See "--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards" below.
### Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#) and Value of Unexercised In-the-Money Options/SARs at Fiscal Year End ($) (1)

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares Acquired on Exercise (#)</th>
<th>Value Realized ($)</th>
<th>Underlying Unexercised Options/SARs at Year End (#)</th>
<th>Exercisable</th>
<th>Unexercisable</th>
<th>Value of Exercisable In-the-Money Options/SARs at Fiscal Year End ($)</th>
<th>Value of Unexercisable In-the-Money Options/SARs at Fiscal Year End ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don L. Blankenship............</td>
<td>0</td>
<td>0</td>
<td>77,965</td>
<td>146,449</td>
<td>146,449</td>
<td>146,449</td>
<td>146,449</td>
</tr>
<tr>
<td>Bennett K. Hatfield..........</td>
<td>0</td>
<td>0</td>
<td>12,500</td>
<td>6,414</td>
<td>6,414</td>
<td>6,414</td>
<td>6,414</td>
</tr>
<tr>
<td>H. Drexel Short.................</td>
<td>0</td>
<td>0</td>
<td>7,308</td>
<td>6,414</td>
<td>6,414</td>
<td>6,414</td>
<td>6,414</td>
</tr>
<tr>
<td>Jeffrey M. Jarosinski...</td>
<td>0</td>
<td>0</td>
<td>3,365</td>
<td>0</td>
<td>5,815</td>
<td>5,815</td>
<td>5,815</td>
</tr>
<tr>
<td>Baxter F. Phillips, Jr.........</td>
<td>0</td>
<td>0</td>
<td>6,617</td>
<td>5,815</td>
<td>5,815</td>
<td>5,815</td>
<td>5,815</td>
</tr>
</tbody>
</table>

(1) Market value of underlying securities at fiscal year-end, minus the exercise price.

### Long-Term Fluor Corporation Incentive Plan Awards in Last Fiscal Year

The following table provides information concerning cash incentive awards made to Massey's named executive officers during fiscal year 1999 under Fluor Corporation's Long-Term Incentive Award Program. Each award under the Long-Term Incentive Award Program represents the right to receive an amount in cash if earnings targets for a specified period, as established by Fluor Corporation's Organization and Compensation Committee, are achieved. If earnings fall below the threshold amount, no award is payable. If earnings fall between the threshold amount and the target amount or between the target amount and the maximum amount then the amount of the award is prorated accordingly. Following the Distribution, these earnings goals will be adjusted to exclude the New Fluor Business. Payments made under the Long-Term Incentive Program are reported in the Summary Compensation Table in the year of payout, if any.

### Estimated Future Payouts Under Non-Stock Price Performance or Other Period Until Maturation Based Plans ($) (1)

<table>
<thead>
<tr>
<th>Name</th>
<th>Performance or Other Period Until Maturation</th>
<th>Estimated Future Payouts Under Non-Stock Price Based Plans ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don L. Blankenship............</td>
<td>3 years</td>
<td>0 67,400 134,800</td>
</tr>
<tr>
<td>Bennett K. Hatfield...........</td>
<td>3 years</td>
<td>0 63,000 126,000</td>
</tr>
<tr>
<td>H. Drexel Short...............</td>
<td>3 years</td>
<td>0 63,000 126,000</td>
</tr>
<tr>
<td>Jeffrey M. Jarosinski...</td>
<td>3 years</td>
<td>0 57,000 114,000</td>
</tr>
<tr>
<td>Baxter F. Phillips, Jr.........</td>
<td>3 years</td>
<td>0 57,000 114,000</td>
</tr>
</tbody>
</table>

(1) Awards are payable if certain thresholds are met based on consolidated earnings before interest, taxes, depreciation and amortization of A.T. Massey rather than Fluor Corporation earnings.

### Pension Plans

The following table shows the estimated annual pension benefits payable to a covered participant at normal retirement age under the A.T. Massey Coal Company, Inc. defined benefit pension plans, or the A.T. Massey Pension Plans, as well as a non-qualified supplemental pension that provides benefits that would otherwise be denied participants by reason of certain Code limitations on qualified plan benefits, based on remuneration that is covered under the plans and years of service with A.T. Massey and its subsidiaries.
A participant's remuneration covered by the A.T. Massey Pension Plans is his average salary and bonus (as reported in the Summary Compensation Table) for the highest 60 consecutive months prior to the determination date. As of the end of the last calendar year, Mr. Blankenship's covered compensation under the A.T. Massey Pension Plans was $160,000, and his covered compensation under the non-qualified supplemental pension was $781,774 for a combined covered compensation amount of $941,774; he had been credited with seventeen years of service. As of the end of the last calendar year, Mr. Hatfield's covered compensation under the A.T. Massey Pension Plans was $160,000, and his covered compensation under the non-qualified supplemental pension was $229,361 for a combined covered compensation amount of $389,361; he had been credited with twenty years of service. As of the end of the last calendar year, Mr. Short's covered compensation under the A.T. Massey Pension Plans was $160,000, and his covered compensation under the non-qualified supplemental pension was $192,541 for a combined covered compensation amount of $352,541; he had been credited with eighteen years of service. As of the end of the last calendar year, Mr. Jarosinski's covered compensation under the A.T. Massey Pension Plans was $156,935, and his covered compensation under the non-qualified supplemental pension was $0 for a combined covered compensation amount of $156,935; he had been credited with eleven years of service. As of the end of the last calendar year, Mr. Phillips's covered compensation under the A.T. Massey Pension Plans was $160,000, and his covered compensation under the non-qualified supplemental pension was $39,170 for a combined covered compensation amount of $199,170; he had been credited with eighteen years of service. Benefits shown are computed as a ten year certain and life annuity beginning at age 65 with no deduction for Social Security or other offset amounts.

Change of Control Provisions in Fluor Corporation Stock Plans

Under Fluor Corporation's stock plans which will be retained by Massey following the Distribution, restrictions on exercisability and transferability which are premised on continued service with Fluor Corporation or its subsidiaries lapse if the holder's employment is terminated for any reason within two years following a change of control of Fluor Corporation. A change of control of Fluor Corporation shall be deemed to have occurred if (1) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, acquires shares of Fluor Corporation having twenty-five percent or more of the total number of votes that may be cast for the election of directors of Fluor Corporation or (2) as a result of any cash tender or exchange offer, merger or other business combination, or any combination of the foregoing transactions, the persons who were directors of Fluor Corporation before such transaction shall cease to constitute a majority of the board of
directors of Fluor Corporation or any successor to Fluor Corporation.

Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards

Except as described below with respect to certain stock-based benefits provided to Mr. Blankenship, upon consummation of the Distribution, each outstanding Fluor Corporation stock-based element of incentive compensation, such as options, restricted shares and units, SARs and shadow stock, which are held by current or former executive officers and other key employees of Massey will be adjusted to represent Massey options, restricted shares and units, SARs and shadow stock, respectively. The methodology to be used in making the adjustment will be based on the opening per share price of the Massey Common Stock on the first day of trading after the Distribution relative to the closing per share price of Fluor Corporation stock on the last trading day before the Distribution. For example, if the closing per share price of Fluor Corporation stock was $31 and the opening per share price for Massey Common Stock was $10.25, then the adjustment ratio would be 3.0244. For options, the number of Massey shares covered by each option grant would be increased by this ratio, the per share purchase price for each share of the grant would be decreased by the same ratio and the aggregate purchase price for the grant would remain the same. For restricted shares and units, SARs and shadow stock, the number of shares, units, rights or shadow shares covered by each grant will be adjusted by the same ratio.

Following the Distribution, Massey intends to offer each of its optionholders, other than its directors and Chief Executive Officer, the ability to elect to surrender all of the options he or she holds in return for a company cash payment obligation. The cash payment obligation offered to each optionholder will be for an amount equal to one-third of the present value of that person’s options, as calculated by Massey using the Black-Scholes option valuation methodology. Any shares that are subject to options surrendered under this program will be available for future grants under the Fluor Corporation 1999 Executive Performance Incentive Plan which will be retained by Massey following the Distribution. The cash payment obligation, if accepted by an optionholder, is payable over three equal annual installments, with the first installment paid on the first anniversary of the Distribution, and in certain cases may be deferred. All or a portion of the payments will be forfeited if the optionholder ceases to be employed with Massey other than on account of retirement, death or permanent disability. Massey believes that this program will reduce its option overhang, help to provide a fresh-start motivation for Massey employees and provide it with a source for future stock-based incentive compensation awards.

Employment Contracts and Termination of Employment Arrangements for Massey Executive Officers

To strengthen the retention of the services of Mr. Blankenship as President and Chief Executive Officer of A.T. Massey Coal Company, Inc., or A.T. Massey, Fluor Corporation entered into an employment agreement with Mr. Blankenship, effective October 1, 1998, for a term ending October 31, 2001.

Mr. Blankenship is entitled to receive a base salary of $650,000 per year, with adjustments to $700,000 per year on January 1, 1999, $800,000 per year on January 1, 2000, and $900,000 per year on January 1, 2001.

Mr. Blankenship's agreement provides for annual bonuses in fiscal years 1998, 1999, 2000 and 2001 with target amounts of not less than $540,000, $625,000, $650,000 and $700,000, respectively, which are based on meeting predetermined performance goals and objectives established and mutually agreed to by the Chairman and Chief Executive Officer of Fluor Corporation and Mr. Blankenship. For 1998 and 1999, Mr. Blankenship received the target bonus. Award payments are made in accordance with standard practices of A.T. Massey.
Mr. Blankenship is also eligible for a long-term incentive award under Fluor Corporation's Long-Term Incentive Program. Mr. Blankenship's award for each three-year performance cycle which commences during the term will have a target value of $450,000, consisting of a cash element which will have a target value of $67,350, 16,260 stock options, 3,170 shares of restricted stock and 1,820 restricted units.

Mr. Blankenship was granted 60,000 shadow stock units on October 1, 1998, 1999 and 2000, respectively, and will be granted 60,000 units on October 1, 2001. The units become vested if Mr. Blankenship remains continuously employed by A.T. Massey through the expiration of the term, or his employment terminates due to termination by Fluor Corporation without "cause" or terminates following a "change of control" (as such terms are defined in the agreement).

Upon vesting, the value of these units will be credited to Mr. Blankenship's account under Fluor Corporation's Executive Deferred Compensation Program. In the event Mr. Blankenship's employment terminates prior to the expiration of the term due to death or disability, then any previously granted units will become vested and the units not yet granted would be forfeited. In the event Mr. Blankenship's employment terminates prior to the expiration of the term for any reason other than the foregoing, then all of the units terminate and are forfeited.

Mr. Blankenship was also granted 300,000 SARs which will vest if Mr. Blankenship remains continuously employed by A.T. Massey through the expiration of the term, or if his employment with A.T. Massey terminates either due to termination by Fluor Corporation without "cause" or following a "change of control." In each of these cases, the value of the SARs upon vesting will be credited to Mr. Blankenship's account in Fluor Corporation's Executive Deferred Compensation Program. In the event Mr. Blankenship's employment terminates prior to the expiration of the term due to death or disability, then a portion of the SARs (25% upon grant and an additional 25% on each of the next three anniversaries of the grant) will vest and be credited to Mr. Blankenship's account in Fluor Corporation's Executive Deferred Compensation Program and the unvested SARs would be forfeited. In the event Mr. Blankenship's employment terminates prior to the expiration of the term for any reason other than the foregoing, then all of the SARs terminate and are forfeited.

Fluor Corporation will also provide Mr. Blankenship with an after-tax reimbursement of up to $360,000 of certain home construction costs which become earned and payable upon the occurrence of the same events which would cause the vesting of the SARs. In the event that Mr. Blankenship's employment with A.T. Massey terminates prior to the expiration of the term due to death or disability, then payment of a portion (25% upon award and an additional 25% on each of the next three anniversaries of the award) of the amount will be made.

The agreement also provides for certain payments in connection with the termination of Mr. Blankenship's employment. Upon termination, Fluor Corporation will be obligated to pay Mr. Blankenship as a minimum amount all accrued and unpaid base salary, any unpaid bonus, any benefits to which he is entitled under Fluor Corporation's Executive Deferred Compensation Program and Long-Term Incentive Award Program. Under the Long-Term Incentive Award Program, if Mr. Blankenship's employment with A.T. Massey is terminated due to death or disability, or within two years following a "change of control" as defined in the program, the stock options, restricted stock and restricted units will become fully vested, and a pro rata portion of the cash component will become payable. In the event Mr. Blankenship's employment terminates for any reason other than the foregoing, then such stock-based awards will be forfeited to the extent they are unvested and the cash component will be forfeited entirely.

If Mr. Blankenship's employment is terminated by A.T. Massey without cause, A.T. Massey and/or Fluor Corporation will be obligated to pay Mr. Blankenship, in addition to the minimum amount, base salary for the remaining term of the agreement, annual bonuses for the remaining term (including a pro rata bonus for any partial year) and the house construction cost reimbursement amount.

Mr. Blankenship is also a party to the Special Successor Development and Retention Program adopted by Fluor Corporation in September 1998. Pursuant to
the program, Mr. Blankenship can earn up to $1,000,000

(plus investment return on amounts conditionally credited to Mr. Blankenship on a pro rata basis during the term of the program), if he remains continuously employed by A.T. Massey until July 1, 2001 and if A.T. Massey achieves certain financial objectives and Mr. Blankenship develops an acceptable successor and senior executive management team. Fifty percent of the award is related to the financial objective and 25% of the award is related to each of the acceptable successor and acceptable senior executive management team. Pursuant to the program, Mr. Blankenship was also granted 11,829 shares of restricted stock and 6,861 restricted units in December 1998 and 9,538 shares of restricted stock and 5,365 restricted units in March 1999. The restricted shares and the restricted units will vest 33% on each of the next three anniversaries of the grant dates.

The cash amount under the program will be credited into Mr. Blankenship's account in Fluor Corporation's Executive Deferred Compensation Program if Mr. Blankenship remains continuously employed until July 1, 2001, or Mr. Blankenship's employment terminates due to death or disability, or following a change of control. In the event Mr. Blankenship's employment terminates prior to such vesting dates for any reason other than the foregoing, then all of the cash amount and the unvested restricted stock and units will be forfeited.

Also, Fluor Corporation is obligated upon Mr. Blankenship's retirement to provide Mr. Blankenship with title to a company-owned residence and associated property in Sprigg, West Virginia, and to pay an amount to reimburse him for any income taxes owed by him as a result of such title transfer. The residence was valued at approximately $250,000 in 1998. Upon the recommendation of the Chief Executive Officer of Fluor Corporation, Fluor Corporation's Organization and Compensation Committee may authorize such transfer before retirement so long as it is after July 1, 2001. Also under the program, Fluor Corporation's Organization and Compensation Committee agreed to approve Mr. Blankenship's early retirement at age 55 for the purposes of Fluor Corporation's Executive Supplemental Benefit Plan.

Mr. Blankenship, Fluor Corporation, Massey and New Fluor have entered into an agreement (the "Amendment Agreement") addressing the treatment of certain benefits under the arrangements discussed above in connection with the Distribution. Under the Amendment Agreement, Mr. Blankenship confirms that his employment agreement is not affected by the Distribution, except as specifically provided in the Amendment Agreement, and that the Distribution is not deemed to constitute a termination of his employment. The Amendment Agreement further provides that in connection with the Distribution (1) Mr. Blankenship's stock options shall be adjusted to represent Massey options according to a methodology similar to that described above under "--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards," except that the adjustment ratio will be fixed at 3.4, so that his options will be exercisable for a total of 497,862 shares of Massey Common Stock without changing the aggregate exercise price of the options, (2) Mr. Blankenship's stock appreciation rights will continue to represent an equivalent number of stock appreciation rights on Massey shares but will have their strike price reduced according to a prescribed ratio calculated under the methodology described above under "--Massey Treatment of Outstanding Fluor Corporation Compensatory Awards," (3) Mr. Blankenship's shadow stock units, restricted stock and restricted units will continue to represent an equivalent number of shadow stock units, restricted stock and restricted units on Massey shares, and (4) after the Distribution, Massey will pay Mr. Blankenship $5,520,000 plus an amount equal to the difference between $719,072 and the closing market price on the first day after the Distribution of 31,264 shares of New Fluor Common Stock, plus an additional $403,857, and will credit $2,778,700 to Mr. Blankenship's deferred compensation account. The $5,520,000, the amount, if any, of the stock price differential payment, and a corresponding percentage of the $403,857 payment will not be deductible to Massey under Section 162(m) of the Code, and it is likely that the treatment of Mr. Blankenship's stock options will result in variable accounting charges to Massey in years during
which the options remain outstanding based upon the extent to which Massey's stock price appreciates above the options' adjusted exercise prices. The payment and deferred compensation credit described in this paragraph are designed to compensate Mr. Blankenship for the value of his stock-based incentives attributable to the value of New Fluor Common Stock. In the Amendment Agreement, Mr. Blankenship and New Fluor also agree to release one another from any claims arising on or prior to the date of the Amendment Agreement.

MASSEY CERTAIN RELATIONSHIPS
AND RELATED TRANSACTIONS

Since the beginning of the fiscal year ended October 31, 1999, Fluor Corporation has engaged the following transactions with persons expected to serve as Massey's directors and executive officers after the Distribution.

In February 1995, Massey loaned $175,000 to Mr. Bennett K. Hatfield in connection with Mr. Hatfield's relocation from Williamson, West Virginia to Richmond, Virginia. The loan bore interest at a rate of 6% per annum. Mr. Hatfield repaid $135,000 of the loan and accrued interest in January 2000. The remainder of the loan was settled by treating the balance as reimbursed moving expenses which will be included in Mr. Hatfield's 2000 compensation.

SECURITY OWNERSHIP OF NEW FLUOR

Stock Ownership and Stock-Based Holdings of Executive Officers and Directors

All of the outstanding shares of New Fluor Common Stock are currently held by Fluor Corporation. The following table sets forth as of October 26, 2000 the number of shares of New Fluor Common Stock that are expected to be beneficially owned after the Distribution by:

. each of New Fluor's directors;
. each of New Fluor's named executive officers; and
. all New Fluor directors and executive officers as a group.

Stock ownership information is based on (1) the number of shares of Fluor Corporation Common Stock held as of October 26, 2000 and (2) a distribution ratio of one share of New Fluor Common Stock for every share of Fluor Corporation Common Stock. The number of shares of Fluor Corporation Common Stock includes Fluor Corporation stock-based elements of compensation currently held by the following individuals, but not additional elements issuable upon conversion into similar New Fluor stock-based elements of compensation as described in "Management of New Fluor--New Fluor Treatment of Outstanding Fluor Corporation Compensatory Stock Awards." Except as otherwise noted, each individual or his or her family members will have sole voting and investment power with respect to such shares.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>New Fluor Shares Beneficially Owned(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Fluor Class I Directors:</td>
<td></td>
</tr>
<tr>
<td>Phillip J. Carroll, Jr. (2)</td>
<td>282,070</td>
</tr>
<tr>
<td>Thomas L. Gossage</td>
<td>4,000</td>
</tr>
<tr>
<td>Vilma S. Martinez</td>
<td>3,534</td>
</tr>
</tbody>
</table>
Dean R. O'Hare..........................................           5,000
New Fluor Class II Directors:
Carroll A. Campbell, Jr..................................           3,377
Robin W. Renwick......................................           3,500
Martha R. Seger......................................           4,519
James C. Stein(2)....................................         193,876
New Fluor Class III Directors:
Peter J. Fluor........................................          24,312
David P. Gardner....................................           6,715
Bobby R. Inman.......................................           6,060
James O. Rollans(2)..................................         204,577
Other New Fluor Named Executive Officers:
Alan L. Boeckmann....................................         161,833
Ralph F. Hake........................................         161,833
All New Fluor directors and executive officers as a
group (16 persons)..................................       1,058,987

(1) Each individual will own less than 0.4% and the group will own
approximately 1.4% of the outstanding shares of New Fluor Common Stock.
Included in the number of shares beneficially owned by Messrs. Carroll,
Stein, Rollans, Boeckmann and Hake and all directors and executive officers
as a group are 148,970, 160,755, 174,255, 83,328 and 29,000 shares,
respectively, which such persons have the right to acquire within 60 days
of October 26, 2000 pursuant to the exercise of stock options, all of which
will be converted into options to purchase New Fluor Common Stock as
described in "Management of New Fluor--New Fluor Treatment of Outstanding
Fluor Corporation Compensatory Stock Awards."

(2) This individual is also a named executive officer.

Stock Ownership of Certain Beneficial Owners

Management of Fluor Corporation knows of no person, except as set forth
below, who is projected to be the beneficial owner of more than 5% of New Fluor
Common Stock. The following table sets forth information known to New Fluor as
of October 26, 2000, with percentage of ownership calculated using the number
of outstanding Fluor Corporation shares on October 26, 2000.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>New Fluor Shares Beneficially Owned</th>
<th>Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity International Limited..............</td>
<td>9,285,647 (1)</td>
<td>12.3</td>
</tr>
<tr>
<td>FMR Corp. and related entities..............</td>
<td>9,285,647 (1)</td>
<td>12.3</td>
</tr>
<tr>
<td>Capital Research and Management Company....</td>
<td>9,268,300 (2)</td>
<td>12.2</td>
</tr>
<tr>
<td>Morgan Stanley Dean Witter &amp; Co.............</td>
<td>4,596,874 (3)</td>
<td>6.1</td>
</tr>
<tr>
<td>Dodge &amp; Cox, Inc................................</td>
<td>4,459,500 (4)</td>
<td>5.9</td>
</tr>
<tr>
<td>Morgan Stanley Dean Witter Advisors Inc....</td>
<td>4,286,747 (5)</td>
<td>5.7</td>
</tr>
</tbody>
</table>

(1) Based the Schedule 13G amendment jointly filed by FMR Corp. ("FMR"), Edward
C. Johnson 3d ("Mr. Johnson"), Abigail P. Johnson ("Mrs. Johnson"),
and Fidelity International Limited ("FIL") on May 10, 2000 with the Securities
and Exchange Commission. The Schedule 13G amendment indicates that Fidelity
Management & Research Company ("Fidelity") is the beneficial owner of
7,766,658 shares as the result of acting as investment advisor to various
investment companies (the "funds"), and that Mr. Johnson, FMR and the funds
each has sole power to dispose of the 7,766,658 shares, but that neither
FMR nor Mr. Johnson has sole power to vote or direct the voting of the
shares owned directly by the funds, which power resides with the funds' boards of trustees and is carried out by Fidelity. The Schedule 13G amendment further indicates that Fidelity Management Trust Company ("FMTC") is the beneficial owner of 742,019 shares as a result of its serving as investment manager of institutional accounts, and that Mr. Johnson and FMR each has sole dispositive power over the 742,019 shares and sole power to vote 271,119 shares. The Schedule 13G amendment indicates that FIL is the beneficial owner of 776,970 shares and has sole power to vote and dispose of such shares. The Schedule 13G amendment further indicates that although FMR Corp. and FIL are separate and independent corporate entities, each entity may be deemed to have beneficial ownership of the shares held by the other entity. The address of FMR, Mr. Johnson, Mrs. Johnson, Fidelity and FMTC is 82 Devonshire Street, Boston, Massachusetts 02109. The address of FIL is Pembroke Hall, 42 Crowlane, Hamilton, Bermuda.

(2) Based on information contained in the Schedule 13G amendment filed by Capital Research and Management Company on October 10, 2000. The Schedule 13G amendment indicates that Capital Research and Management Company is a registered investment advisor having sole power to dispose of the 9,268,300 shares and no voting power relative to the 9,268,300 shares. The address of Capital Research and Management Company is 333 South Hope Street, Los Angeles, California 90071.

(3) Based on information contained in the Schedule 13G jointly filed by Morgan Stanley Dean Witter & Co. and Morgan Stanley Dean Witter Advisors Inc. with the Securities and Exchange Commission on February 4, 2000. The Schedule 13G indicates that Morgan Stanley Dean Witter & Co. is a registered investment advisor having shared voting power relative to 4,570,844 shares and shared dispositive power relative to 4,596,874 shares. The address of Morgan Stanley Dean Witter & Co. is 1585 Broadway, New York, New York 10036.

(4) Based on the Schedule 13G amendment filed by Dodge & Cox, Inc. with the Securities and Exchange Commission on February 14, 2000. The Schedule 13G amendment indicates that Dodge & Cox is a registered investment advisor having sole power to vote 4,077,900 shares, shared voting power relative to 37,500 shares and sole power to dispose of 4,459,500 shares. The address of Dodge & Cox is One Sansome Street, 35th Floor, San Francisco, California 94104.

(5) Based on information contained in the Schedule 13G jointly filed by Morgan Stanley Dean Witter & Co. and Morgan Stanley Dean Witter Advisors Inc. with the Securities and Exchange Commission on February 4, 2000. The Schedule 13G indicates that Morgan Stanley Dean Witter Advisors Inc. is a registered investment advisor having shared voting power relative to 4,273,917 shares and shared dispositive power relative to 4,286,747 shares. The address of Morgan Stanley Dean Witter Advisors Inc. is Two World Trade Center, New York, New York 10048.

SECURITY OWNERSHIP OF MASSEY

Stock Ownership and Stock-Based Holdings of Executive Officers and Directors

After the Distribution, shares of Fluor Corporation Common Stock will be shares of Massey Common Stock. The following table sets forth as of October 26, 2000 the number of shares of Massey Common Stock that are expected to be beneficially owned after the Distribution by:

- each of Massey's directors;
- each of Massey's named executive officers; and
Stock ownership information is based on (1) the number of shares of Fluor Corporation Common Stock held as of October 26, 2000 and (2) a retention ratio of one share of Massey Common Stock for every share of Fluor Corporation Common Stock. The number of shares of Fluor Corporation Common Stock includes Fluor Corporation stock-based elements of compensation currently held by the following individuals, but not additional elements issuable upon adjustment to represent similar Massey stock-based elements of compensation as described in "Management of Massey--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards." Except as otherwise noted, each individual or his or her family members will have sole voting and investment power with respect to such shares.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Massey Shares Beneficially Owned (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massey Class I Directors:</td>
<td></td>
</tr>
<tr>
<td>E. Gordon Gee</td>
<td>0</td>
</tr>
<tr>
<td>James L. Gardner</td>
<td>0</td>
</tr>
<tr>
<td>Massey Class II Directors:</td>
<td></td>
</tr>
<tr>
<td>William R. Grant</td>
<td>11,081</td>
</tr>
<tr>
<td>Martha R. Seger</td>
<td>4,519</td>
</tr>
<tr>
<td>Massey Class III Directors:</td>
<td></td>
</tr>
<tr>
<td>Don L. Blankenship</td>
<td>153,704</td>
</tr>
<tr>
<td>Bobby R. Inman</td>
<td>6,060</td>
</tr>
<tr>
<td>Other Massey Named Executive Officers:</td>
<td></td>
</tr>
<tr>
<td>Bennett K. Hatfield</td>
<td>23,660</td>
</tr>
<tr>
<td>H. Drexel Short</td>
<td>13,232</td>
</tr>
<tr>
<td>Jeffrey M. Jarosinski</td>
<td>8,471</td>
</tr>
<tr>
<td>Baxter F. Phillips, Jr.</td>
<td>13,153</td>
</tr>
<tr>
<td>All Massey directors and executive officers as a group (12 persons)</td>
<td>246,790</td>
</tr>
</tbody>
</table>

(1) Each individual will own less than 0.2% and the group will own approximately 0.3% of the outstanding shares of Massey Common Stock. Included in the number of shares beneficially owned by Messrs. Blankenship, Hatfield, Short, Jarosinski and Phillips and all directors and executive officers as a group are 122,040, 15,240, 8,708, 5,731 and 9,083 shares, respectively, which such persons have the right to acquire within 60 days of October 26, 2000 pursuant to the exercise of stock options, all of which will be adjusted to represent options to purchase Massey Common Stock as described in "Management of Massey--Massey Treatment of Outstanding Fluor Corporation Compensatory Stock Awards" except for Mr. Blankenship's options, which will be treated as described in "Management of Massey--Employment Contracts and Termination of Employment Arrangements for Massey Executive Officers."

(2) This individual is also a Massey named executive officer.

Stock Ownership of Certain Beneficial Owners

Management of Fluor Corporation knows of no person, except as set forth below, who is projected to be the beneficial owner of more than 5% of Massey Common Stock. The following table sets forth information known to Fluor Corporation as of October 26, 2000, with percentage of ownership calculated using the number of outstanding Fluor Corporation shares on October 26, 2000.
<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Beneficially Owned Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity International Limited</td>
<td>12.3</td>
</tr>
<tr>
<td>FMR Corp. and related entities</td>
<td>12.3</td>
</tr>
<tr>
<td>Capital Research and Management Company</td>
<td>12.2</td>
</tr>
<tr>
<td>Morgan Stanley Dean Witter &amp; Co.</td>
<td>6.1</td>
</tr>
<tr>
<td>Dodge &amp; Cox, Inc.</td>
<td>5.9</td>
</tr>
<tr>
<td>Morgan Stanley Dean Witter Advisors Inc.</td>
<td>5.7</td>
</tr>
</tbody>
</table>

(1) Based the Schedule 13G amendment jointly filed by FMR Corp. ("FMR"), Edward C. Johnson 3d ("Mr. Johnson"), Abigail P. Johnson ("Mrs. Johnson") and Fidelity International Limited ("FIL") on May 10, 2000 with the Securities and Exchange Commission. The Schedule 13G amendment indicates that Fidelity Management & Research Company ("Fidelity") is the beneficial owner of 7,766,658 shares as the result of acting as investment advisor to various investment companies (the "funds"), and that Mr. Johnson, FMR and the funds each has sole power to dispose of the 7,766,658 shares, but that neither FMR nor Mr. Johnson has sole power to vote or direct the voting of the shares owned directly by the funds, which power resides with the funds' boards of trustees and is carried out by Fidelity. The Schedule 13G amendment further indicates that Fidelity Management Trust Company ("FMTC") is the beneficial owner of 742,019 shares as a result of its serving as investment manager of institutional accounts, and that Mr. Johnson and FMR each has sole dispositive power over the 742,019 shares and sole power to vote 271,119 shares. The Schedule 13G amendment indicates that FIL is the beneficial owner of 776,970 shares and has sole power to vote and dispose of such shares. The Schedule 13G amendment further indicates that although FMR Corp. and FIL are separate and independent corporate entities, each entity may be deemed to have beneficial ownership of the shares held by the other entity. The address of FMR, Mr. Johnson, Mrs. Johnson, Fidelity and FMTC is 82 Devonshire Street, Boston, Massachusetts 02109. The address of FIL is Pembroke Hall, 42 Crowlane, Hamilton, Bermuda.

(2) Based on information contained in the Schedule 13G amendment filed by Capital Research and Management Company on October 10, 2000. The Schedule 13G amendment indicates that Capital Research and Management Company is a registered investment advisor having sole power to dispose of the 9,268,300 shares and no voting power relative to the 9,268,300 shares. The address of Capital Research and Management Company is 333 South Hope Street, Los Angeles, California 90071.

(3) Based on information contained in the Schedule 13G jointly filed by Morgan Stanley Dean Witter & Co. and Morgan Stanley Dean Witter Advisors Inc. with the Securities and Exchange Commission on February 4, 2000. The Schedule 13G indicates that Morgan Stanley Dean Witter & Co. is a registered investment advisor having shared voting power relative to 4,570,844 shares and shared dispositive power relative to 4,596,874 shares. The address of Morgan Stanley Dean Witter & Co. is 1585 Broadway, New York, New York 10036.

(4) Based on the Schedule 13G amendment filed by Dodge & Cox, Inc. with the Securities and Exchange Commission on February 14, 2000. The Schedule 13G amendment indicates that Dodge & Cox is a registered investment advisor having sole power to vote 4,077,900 shares, shared voting power relative to 37,500 shares and sole power to dispose of 4,459,500 shares. The address of Dodge & Cox is One Sansome Street, 35th Floor, San Francisco, California 94104.

(5) Based on information contained in the Schedule 13G jointly filed by Morgan Stanley Dean Witter & Co. and Morgan Stanley Dean Witter Advisors Inc. with the Securities and Exchange Commission on February 4, 2000. The Schedule 13G indicates that Morgan Stanley Dean Witter Advisors Inc. is a registered investment advisor having shared voting power relative to 4,273,917 shares and shared dispositive power relative to 4,286,747 shares. The address of Morgan Stanley Dean Witter Advisors Inc. is Two World Trade Center, New York, New York 10048.
SECURITY OWNERSHIP OF FLUOR CORPORATION

Stock Ownership and Stock-Based Holdings of Executive Officers and Directors

The following table sets forth as of October 26, 2000 the number of shares of Fluor Corporation Common Stock that were beneficially owned (including restricted shares, shares which may be acquired within 60 days of October 26, 2000 pursuant to the exercise of stock options and interests in shares held as of August 31, 2000 in Fluor Corporation's Savings Investment Plan, Retirement Plan and Performance Plan by executive officers, with respect to which such officers have sole voting and investment power) by:

- each of Fluor Corporation's directors;
- each of Fluor Corporation's named executive officers; and
- all Fluor Corporation directors and executive officers as a group.

Except as otherwise noted, each individual or his or her family members will have sole voting and investment power with respect to such shares. The second column of the table combines beneficial ownership of shares of Fluor Corporation Common Stock with holdings of:

- deferred directors' fees (which are payable in cash, held in an account economically equivalent to Fluor Corporation Common Stock as of October 26, 2000 by certain non-employee directors);
- restricted stock units held by directors and executive officers (which are payable in cash upon vesting of tandem restricted stock); and
- shadow stock units held by certain named executive officers (which are payable in cash).

This column indicates the alignment of the named individuals and group with the interests of Fluor Corporation's shareholders because the value of their total holdings will increase or decrease correspondingly with the price of Fluor Corporation Common Stock.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Shares Beneficially Owned (1)</th>
<th>Stock-Based Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluor Corporation Class I Directors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philip J. Carroll, Jr. (2)</td>
<td>282,070</td>
<td>447,104</td>
</tr>
<tr>
<td>David P. Gardner</td>
<td>6,715</td>
<td>15,636</td>
</tr>
<tr>
<td>Thomas L. Gossage</td>
<td>4,000</td>
<td>4,114</td>
</tr>
<tr>
<td>Vilma S. Martinez</td>
<td>3,534</td>
<td>9,911</td>
</tr>
<tr>
<td>Dean R. O'Hare</td>
<td>5,000</td>
<td>7,955</td>
</tr>
<tr>
<td>Fluor Corporation Class II Directors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carroll A. Campbell, Jr.</td>
<td>3,377</td>
<td>9,000</td>
</tr>
<tr>
<td>Robin W. Renwick</td>
<td>3,500</td>
<td>6,878</td>
</tr>
<tr>
<td>Martha R. Seger</td>
<td>4,519</td>
<td>5,123</td>
</tr>
<tr>
<td>James C. Stein (2)</td>
<td>193,876</td>
<td>202,189</td>
</tr>
<tr>
<td>Fluor Corporation Class III Directors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don L. Blankenship</td>
<td>153,704</td>
<td>289,777</td>
</tr>
<tr>
<td>Peter J. Fluor</td>
<td>24,312</td>
<td>58,568</td>
</tr>
<tr>
<td>Bobby R. Inman</td>
<td>6,060</td>
<td>6,060</td>
</tr>
<tr>
<td>James O. Rollans (2)</td>
<td>204,577</td>
<td>212,985</td>
</tr>
<tr>
<td>Other Fluor Corporation Named Executive Officers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alan L. Boeckmann</td>
<td>161,833</td>
<td>207,288</td>
</tr>
<tr>
<td>All Fluor Corporation directors and executive officers as a group</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Shares Beneficially Owned include incented shares, shares which may be acquired within 60 days of October 26, 2000 pursuant to the exercise of stock options and interests in shares held as of August 31, 2000 in Fluor Corporation's Savings Investment Plan, Retirement Plan and Performance Plan by executive officers, with respect to which such officers have sole voting and investment power.
(1) Each individual owns less than 0.4% and the group owns approximately 1.6% of the outstanding shares of Fluor Corporation Common Stock. Included in the number of shares beneficially owned by Messrs. Carroll, Stein, Blankenship, Rollans and Boeckmann and all directors and executive officers as a group are 148,970, 160,755, 122,040, 174,255 and 83,328 shares, respectively, which such persons have the right to acquire within 60 days of October 26, 2000 pursuant to the exercise of stock options.

(2) This individual is also a named executive officer of Fluor Corporation.

Stock Ownership of Certain Beneficial Owners

Management of Fluor Corporation knows of no person, except as set forth below, who is the beneficial owner of more than 5% of Fluor Corporation's common stock. The following table sets forth information known to New Fluor as of October 26, 2000, with percentage of ownership calculated using the number of outstanding shares on October 26, 2000.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Shares Beneficially Owned</th>
<th>Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity International Limited....................</td>
<td>9,285,647 (1)</td>
<td>12.3</td>
</tr>
<tr>
<td>FMR Corp. and related entities....................</td>
<td>9,285,647 (1)</td>
<td>12.3</td>
</tr>
<tr>
<td>Capital Research and Management Company.....</td>
<td>9,268,300 (2)</td>
<td>12.2</td>
</tr>
<tr>
<td>Morgan Stanley Dean Witter &amp; Co.</td>
<td>4,596,874 (3)</td>
<td>6.1</td>
</tr>
<tr>
<td>Dodge &amp; Cox, Inc.</td>
<td>4,459,500 (4)</td>
<td>5.9</td>
</tr>
<tr>
<td>Morgan Stanley Dean Witter Advisors Inc........</td>
<td>4,286,747 (5)</td>
<td>5.7</td>
</tr>
</tbody>
</table>

(1) Based the Schedule 13G amendment jointly filed by FMR Corp. ("FMR"), Edward C. Johnson 3d ("Mr. Johnson"), Abigail P. Johnson ("Mrs. Johnson") and Fidelity International Limited ("FIL") on May 10, 2000 with the Securities and Exchange Commission. The Schedule 13G amendment indicates that Fidelity Management & Research Company ("Fidelity") is the beneficial owner of 7,766,658 shares as the result of acting as investment advisor to various investment companies (the "funds"), and that Mr. Johnson, FMR and the funds each has sole power to dispose of the 7,766,658 shares, but that neither FMR nor Mr. Johnson has sole power to vote or direct the voting of the shares owned directly by the funds, which power resides with the funds' boards of trustees and is carried out by Fidelity. The Schedule 13G amendment further indicates that Fidelity Management Trust Company ("FMTC") is the beneficial owner of 742,019 shares as a result of its serving as investment manager of institutional accounts, and that Mr. Johnson and FMR each has sole dispositive power over the 742,019 shares and sole power to vote 271,119 shares. The Schedule 13G amendment indicates that FIL is the beneficial owner of 776,970 shares and has sole power to vote and dispose of such shares. The Schedule 13G amendment further indicates that although FMR Corp. and FIL are separate and independent corporate entities, each entity may be deemed to have beneficial ownership of the shares held by the other entity. The address of FMR, Mr. Johnson, Mrs. Johnson, Fidelity and FMTC is 82 Devonshire Street, Boston, Massachusetts 02109. The address of FIL is Pembroke Hall, 42 Crowlane, Hamilton, Bermuda.

(2) Based on information contained in the Schedule 13G amendment filed by
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Based on information contained in the Schedule 13G jointly filed by Morgan Stanley Dean Witter & Co. and Morgan Stanley Dean Witter Advisors Inc. with the Securities and Exchange Commission on February 4, 2000. The Schedule 13G indicates that Morgan Stanley Dean Witter & Co. is a registered investment advisor having shared voting power relative to 4,570,844 shares and shared dispositive power relative to 4,596,874 shares. The address of Morgan Stanley Dean Witter & Co. is 1585 Broadway, New York, New York 10036.

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Based on information contained in the Schedule 13G jointly filed by Morgan Stanley Dean Witter & Co. and Morgan Stanley Dean Witter Advisors Inc. with the Securities and Exchange Commission on February 4, 2000. The Schedule 13G indicates that Morgan Stanley Dean Witter Advisors Inc. is a registered investment advisor having shared voting power relative to 4,273,917 shares and shared dispositive power relative to 4,286,747 shares. The address of Morgan Stanley Dean Witter Advisors Inc. is Two World Trade Center, New York, New York 10048.

DESCRIPTION OF NEW FLUOR CAPITAL STOCK

The following description of New Fluor capital stock is based on the Amended and Restated Certificate of Incorporation of New Fluor, or the New Fluor Charter, and the Amended and Restated Bylaws of New Fluor, or the New Fluor Bylaws, which are to take effect as of the effective date of the Distribution. The following description is qualified in its entirety by reference to the New Fluor Charter and the New Fluor Bylaws.

General

As of the effective date of the Distribution, the New Fluor Charter will authorize the issuance of 150 million shares of New Fluor Common Stock and 20 million shares of New Fluor preferred stock. Based on approximately 75,744,873 shares of Fluor Corporation Common Stock outstanding as of October 26, 2000 and a distribution ratio of one share of New Fluor Common Stock for each share of Fluor Corporation Common Stock, assuming the purchase prior to the Distribution by Fluor Corporation of 1,850,000 shares of Fluor Corporation Common Stock pursuant to a forward purchase contract, approximately 73,894,873 shares of New Fluor Common Stock will be distributed to Fluor Corporation shareholders on the effective date of the Distribution. Based on approximately 11,862 holders of record of Fluor Corporation Common Stock as of October 26, 2000, there will be approximately 11,862 holders of record of New Fluor Common Stock on the effective date of the Distribution.

Common Stock

Voting Rights

Holders of New Fluor Common Stock will be entitled to one vote per share on all matters voted on generally by shareholders. Except as otherwise required by
law or with respect to any outstanding series of New Fluor preferred stock, the
holders of common stock will possess all voting power. Pursuant to the New
Fluor Bylaws, shareholder action is effective upon majority vote. However, an
affirmative vote of the holders of at least 80% of the voting power of
outstanding shares will be required to:

. amend or repeal the bylaws;

. merge or consolidate with another corporation or entity, which together
with its affiliates, beneficially owns more than 15% of the outstanding
shares of New Fluor, such other corporation and its affiliates referred
to as a related corporation;

. sell or exchange substantially all of its assets or business to or with
a related corporation; or

. issue or deliver any stock or securities in exchange or payment for any
assets or property of or securities issued by a related corporation;

unless such actions are approved by New Fluor's board of directors.

Furthermore, the affirmative vote of the holders of 80% of the voting power
of outstanding shares must approve changes to provisions in the New Fluor
Charter relating to:

. amendment of the New Fluor Charter or Bylaws;

. classification of New Fluor's board of directors; and

. prohibition of shareholder action without a meeting.

Dividend Rights; Rights Upon Liquidation

Subject to any preferential rights of holders of any New Fluor preferred
stock that may be outstanding, holders of shares of New Fluor Common Stock will
be entitled to receive dividends on such stock out of assets legally available
for distribution when, as and if authorized and declared by the New Fluor board
and to share ratably in the assets of New Fluor legally available for
distribution to its shareholders in the event of its liquidation, dissolution
or winding-up.

Miscellaneous

Classification of the New Fluor Board

The New Fluor board will be divided into three classes of directors serving
staggered three-year terms. As a result, approximately one-third of the
directors will be elected each year. New Fluor believes that a classified board
will help to assure the continuity and stability of its board, and its business
strategies and policies as determined by its board, because a majority of the
directors at any given time will have prior experience as directors at New
Fluor. This provision should also help to ensure that New Fluor, if confronted
with an unsolicited proposal from a third party that has acquired a block of
New Fluor's voting stock, will have sufficient time to review the proposal and
appropriate alternatives and to seek the best available result for all
shareholders.

A classified board could prevent a third party who acquires control of a
majority of the outstanding voting stock from obtaining control of the New
Fluor board until the second annual shareholders meeting following the date the
third party obtains the controlling stock interest. This could have the effect of
discouraging a potential acquiror from making a tender offer or otherwise
attempting to obtain control of New Fluor and could thus increase the
likelihood that incumbent directors will retain their positions.

Miscellaneous
Holders of New Fluor Common Stock will have no preferences or preemptive, conversion or exchange rights. Shares of New Fluor Common Stock will not be liable for further calls or assessments by New Fluor, and the holders of New Fluor Common Stock will not be liable for any liabilities of New Fluor.

Preferred Stock

The New Fluor Charter will authorize the New Fluor board to provide for the issuance, from time to time, of New Fluor preferred stock in series, and to fix the voting rights, designations, powers, preferences and the relative participating, optional or other rights of the shares, if any, of each such series and any qualifications, limitations or restrictions with respect to such series. Because the New Fluor board will have the power to establish the preferences and rights of the shares of any such series of New Fluor preferred stock, holders of any New Fluor preferred stock may be afforded voting rights and preferences, powers and rights senior to the rights of holders of New Fluor Common Stock in a way which could adversely affect the rights of holders of New Fluor Common Stock. No shares of New Fluor preferred stock will be outstanding immediately following the effective date of the Distribution.

Anti-Takeover Provisions of the New Fluor Charter and Bylaws and Delaware Law

General

Certain provisions of the New Fluor Charter, the New Fluor Bylaws and Section 203 of the Delaware General Corporation Law may have the effect of impeding the acquisition of control of New Fluor by means of a tender offer, a proxy fight, open market purchases or otherwise in a transaction not approved by the New Fluor board. These provisions are designed to reduce, or have the effect of reducing, the vulnerability of New Fluor to an unsolicited proposal for the restructuring or sale of all or substantially all the assets of New Fluor or an unsolicited takeover attempt which is unfair to New Fluor shareholders.

Charter and Bylaw Provisions

Under the New Fluor Charter, the New Fluor board will have the authority, without further shareholder approval, to issue New Fluor preferred stock in series, and to fix the designations, voting powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions with respect to such series. Pursuant to this authority, the New Fluor board could create and issue a series of New Fluor preferred stock with rights, preferences or restrictions which have the effect of discriminating against an existing or prospective holder of capital stock of New Fluor as a result of such holder beneficially owning or commencing a tender offer for a substantial amount of New Fluor Common Stock. One of the effects of authorized but unissued and unreserved shares of preferred stock may be to render more difficult for, or discourage an attempt by, a potential acquiror to obtain control of New Fluor by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of New Fluor's management. The issuance of such shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of New Fluor without any further action by the shareholders of New Fluor.

Other provisions of the New Fluor Charter and New Fluor Bylaws that may make replacing the New Fluor board more difficult include:

- 80% supermajority voting requirements to approve certain extraordinary corporate transactions or certain amendments to the New Fluor Charter and New Fluor Bylaws as described under "--Common Stock--Voting Rights";
- classification of the New Fluor Board as described under "--Common Stock--Classification of the New Fluor Board";
prohibition on shareholders calling a meeting or acting by written consent;

requirements for advance notice for raising business or making nominations at shareholder meetings; and

the ability of the New Fluor board to increase the size of the board and fill vacancies on the board.

Section 203 of the Delaware General Corporation Law

New Fluor will be subject to Section 203 of the Delaware General Corporation Law. The provisions of Section 203 prohibit New Fluor from engaging in certain "business combinations" with an "interested shareholder" for a period of three years after the date that the person became an interested shareholder, unless one of the following conditions is satisfied:

Prior to the date that the person became an interested shareholder, the transaction or business combination that resulted in the person becoming an interested shareholder is approved by the board of directors;

Upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owns at least 85% of New Fluor's outstanding voting stock; or

On or after the date that the person became an interested shareholder, the business combination is approved by New Fluor's board of directors and by the holders of at least two-thirds of New Fluor's outstanding voting stock, excluding voting stock owned by the interested shareholder.

Generally, a "business combination" includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested shareholder. Subject to certain exceptions, an "interested shareholder" is a person who together with that person's affiliates and associates owns, or within the previous three years did own, 15% or more of New Fluor's voting stock.

Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C. will act as transfer agent and registrar for the New Fluor Common Stock.

DESCRIPTION OF MASSEY CAPITAL STOCK

Since after the Distribution the capital stock of Fluor Corporation held by Fluor Corporation shareholders will represent a continuing ownership interest in the Massey business, the following description of Fluor Corporation's capital stock describes the capital stock of Massey from and after the Distribution. The following description of Massey capital stock is based on the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of Fluor Corporation, both of which will remain in effect for Massey following the Distribution and which are referred to as the Massey Charter and the Massey Bylaws, respectively. The following description is qualified in its entirety by reference to the Massey Charter and the Massey Bylaws.

General

As of the effective date of the Distribution, the Massey Charter will authorize the issuance of 150 million shares of Massey Common Stock and 20 million shares of Massey preferred stock. Based on approximately 75,744,873 shares of Fluor Corporation Common Stock outstanding as of October 26, 2000, assuming the purchase prior to the Distribution by Fluor Corporation of 1,850,000 shares of Fluor Corporation Common Stock pursuant to a forward purchase contract, approximately 73,894,873 shares of Fluor Corporation Common
Stock will be retained by Fluor Corporation shareholders as Massey Common Stock following the Distribution. Based on approximately 11,862 holders of record of Fluor Corporation Common Stock as of October 26, 2000, there will be approximately 11,862 holders of record of Massey Common Stock following the Distribution.

Common Stock

Voting Rights

Holders of Massey Common Stock will be entitled to one vote per share on all matters voted on generally by shareholders, except the election of directors as to which the Massey Charter will grant cumulative voting rights to shareholders. Except as otherwise required by law or with respect to any outstanding series of Massey preferred stock, the holders of common stock will possess all voting power.

Pursuant to the Massey Bylaws, shareholder action is effective upon majority vote. However, an affirmative vote of the holders of at least 80% of the voting power of outstanding shares will be required to:

. amend or repeal the bylaws;
. merge or consolidate with another corporation, which together with its affiliates, beneficially owns more than 5% of the outstanding shares of Massey, such other corporation and its affiliates referred to as a related corporation;
. sell or exchange substantially all of its assets or business to or with a related corporation; or
. issue or deliver any stock or securities in exchange or payment for any assets or property of or securities issued by a related corporation;

unless such actions are approved by Massey's board of directors.

Furthermore, the affirmative vote of the holders of 80% of the voting power of outstanding shares must approve changes to provisions in the Massey Charter relating to:

. amendment of the Massey Charter or Bylaws;
. classification of Massey's board of directors;
. prohibition of shareholder action without a meeting;
. cumulative voting; and
. appraisal rights.

Dividend Rights; Rights Upon Liquidation

Subject to any preferential rights of holders of any Massey preferred stock that may be outstanding, holders of shares of Massey Common Stock will be entitled to receive dividends on such stock out of assets legally available for distribution when, as and if authorized and declared by the Massey board and to share ratably in the assets of Massey legally available for distribution to its shareholders in the event of its liquidation, dissolution or winding-up.

Classification of the Massey Board

The Massey board will be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the directors will be elected each year. Massey believes that a classified board will help to assure the continuity and stability of its board, and its business
strategies and policies as determined by its board, because a majority of the directors at any given time will have prior experience as directors at Massey. This provision should also help to ensure that Massey, if confronted with an unsolicited proposal from a third party that has acquired a block of Massey's voting stock, will have sufficient time to review the proposal and appropriate alternatives and to seek the best available result for all shareholders.

A classified board could prevent a third party who acquires control of a majority of the outstanding voting stock from obtaining control of the Massey board until the second annual shareholders meeting following the date the third party obtains the controlling stock interest. This could have the effect of discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of Massey and could thus increase the likelihood that incumbent directors will retain their positions.

Miscellaneous

Holders of Massey Common Stock will have no preferences or preemptive, conversion or exchange rights. Shares of Massey Common Stock will not be liable for further calls or assessments by Massey, and the holders of Massey Common Stock will not be liable for any liabilities of Massey.

Preferred Stock

The Massey Charter will authorize the Massey board to provide for the issuance, from time to time, of Massey preferred stock in series, and to fix the voting rights, designations, powers, preferences and the relative participating, optional or other rights of the shares, if any, of each such series and any qualifications, limitations or restrictions with respect to such series. Because the Massey board will have the power to establish the preferences and rights of the shares of any such series of Massey preferred stock, holders of any Massey preferred stock may be afforded voting rights and preferences, powers and rights senior to the rights of holders of Massey Common Stock in a way which could adversely affect the rights of holders of Massey Common Stock. No shares of Massey preferred stock will be outstanding immediately following the effective date of the Distribution.

Anti-Takeover Provisions of the Massey Charter and Bylaws and Delaware Law

General

Certain provisions of the Massey Charter, the Massey Bylaws and Section 203 of the Delaware General Corporation Law may have the effect of impeding the acquisition of control of Massey by means of a tender offer, a proxy fight, open market purchases or otherwise in a transaction not approved by the Massey board. These provisions are designed to reduce, or have the effect of reducing, the vulnerability of Massey to an unsolicited proposal for the restructuring or sale of all or substantially all the assets of Massey or an unsolicited takeover attempt which is unfair to Massey shareholders.

Charter and Bylaw Provisions

Under the Massey Charter, the Massey board will have the authority, without further shareholder approval, to issue Massey preferred stock in series, and to fix the designations, voting powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions with respect to such series. Pursuant to this authority, the Massey board could create and issue a series of Massey preferred stock with rights, preferences or restrictions which have the effect of discriminating against an existing or prospective holder of capital stock of Massey as a result of such holder beneficially owning or commencing a tender offer for a substantial amount of Massey Common Stock. One of the effects of authorized but unissued and unreserved shares of preferred stock may be to render more difficult for, or discourage an attempt by, a potential acquiror to obtain control of Massey by means of a merger, tender offer, proxy contest or otherwise, and thereby
protect the continuity of Massey's management. The issuance of such shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of Massey without any further action by the shareholders of Massey.

Other provisions of the Massey Charter and Massey Bylaws that may make replacing the Massey board more difficult include:

- 80% supermajority voting requirements to approve certain extraordinary corporate transactions or certain amendments to the Massey Charter and Massey Bylaws as described under "--Common Stock--Voting Rights";
- classification of the Massey Board as described under "--Common Stock--Classification of the Massey Board";
- prohibition on shareholders calling a meeting or acting by written consent;
- requirements for advance notice for raising business or making nominations at shareholder meetings; and
- the ability of the Massey board to increase the size of the board and fill vacancies on the board.

Section 203 of the Delaware General Corporation Law

Massey will be subject to Section 203 of the Delaware General Corporation Law. The provisions of Section 203 prohibit Massey from engaging in certain "business combinations" with an "interested shareholder" for a period of three years after the date that the person became an interested shareholder, unless one of the following conditions is satisfied:

- Prior to the date that the person became an interested shareholder, the transaction or business combination that resulted in the person becoming an interested shareholder is approved by the board of directors;
- Upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owns at least 85% of Massey's outstanding voting stock; or
- On or after the date that the person became an interested shareholder, the business combination is approved by Massey's board of directors and by the holders of at least two-thirds of Massey's outstanding voting stock, excluding voting stock owned by the interested shareholder.

Generally, a "business combination" includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested shareholder. Subject to certain exceptions, an "interested shareholder" is a person who together with that person's affiliates and associates owns, or within the previous three years did own, 15% or more of Massey's voting stock.

Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C. will continue to act as transfer agent and registrar for the Massey Common Stock.

INDEMNIFICATION AND LIMITATION OF LIABILITY FOR NEW FLUOR DIRECTORS AND OFFICERS

Set forth below is a description of provisions of the New Fluor Charter and Delaware law that serve to indemnify or limit the liability of New Fluor's officers and directors for monetary damages to New Fluor. Such description is intended as a summary only and is qualified in its entirety by reference to the New Fluor Charter and the New Fluor Bylaws.
Indemnification of Liability for Directors & Officers

New Fluor is a Delaware corporation. The New Fluor Charter provides that New Fluor shall indemnify and hold harmless its officers, directors and others serving the corporation in various capacities to the fullest extent permitted by the Delaware General Corporation Law. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation has the power to indemnify officers and directors in certain circumstances.

Under Section 145, a corporation may indemnify its directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with specified actions, suits or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation, referred to as a "derivative action") if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard of conduct is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with defense or settlement of such an action, and Section 145 requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation.

Section 145 further provides that to the extent that a director or officer has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above or in the defense of any claim, issue or matter within such action, suit or proceeding, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such defense. The New Fluor Charter provides that the indemnification rights described above shall be contract rights and shall include the right to be paid expenses incurred in defending any proceeding in advance of its final disposition subject to any undertakings required under the Delaware General Corporation Law. Section 145 requires an undertaking to repay any such amount advanced if the director or officer receiving such amount is ultimately determined not to be entitled to indemnification.

Indemnification provided for by Section 145 and the New Fluor Charter is not to be deemed exclusive of any other rights to which the indemnified party may be entitled. Both Section 145 and the New Fluor Charter permit New Fluor to maintain insurance on behalf of a director, officer or others against any liability asserted against such person and incurred by such person, whether or not New Fluor would have the power to indemnify such person against such liabilities under Section 145.

Anyone claiming rights to indemnification under the New Fluor Charter may bring suit if such indemnification is not paid within thirty days. The New Fluor Charter further provides that New Fluor bears the burden of proving that the claimant has not met the standards of conduct required for indemnification under Section 145 if New Fluor elects to defend any such action.

Limitation of Liability of Directors

The New Fluor Charter provides that, to the fullest extent permitted under the Delaware General Corporation Law, a director of New Fluor shall not be personally liable to New Fluor or its shareholders for monetary damages for breach of fiduciary duty as a director. Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to include in its certificate of incorporation provisions limiting the personal liability of its directors for monetary damages to the corporation except that directors shall remain personally liable for:
acts or omissions not in good faith which involve intentional misconduct or a knowing violation of law;

the payment of dividends or the redemption of purchase of stock in violation of Delaware law;

any breach of the director’s duty of loyalty to the corporation or its shareholders; or

any transaction from which the director derived an improper personal benefit.

SUBMISSION OF SHAREHOLDER PROPOSALS

Subject to consummation of the Distribution, it is expected that New Fluor's 2001 annual meeting of shareholders will be held on March 14, 2001. Any proposal of a shareholder intended to be presented at New Fluor's 2001 annual meeting of shareholders must be received by New Fluor no later than October 13, 2000 for inclusion in the proxy statement and form of proxy/voting instruction card for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934. Pursuant to Rule 14a-4 under the Securities Exchange Act of 1934, New Fluor may exercise discretionary voting authority at the 2001 annual meeting under proxies it solicits to vote on a proposal made by a shareholder that the shareholder does not seek to include in New Fluor's proxy statement pursuant to Rule 14a-8, unless New Fluor is notified about the proposal prior to December 8, 2000, and the shareholder satisfies the other requirements of Rule 14a-4(c).

Subject to consummation of the Distribution, it is expected that Massey's 2001 annual meeting of shareholders will be held on March 14, 2001. Any proposal of a shareholder intended to be presented at Massey's 2001 annual meeting of shareholders must be received by Massey no later than October 13, 2000 for inclusion in the proxy statement and form of proxy/voting instruction card for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934. Pursuant to Rule 14a-4 under the Securities Exchange Act of 1934, Massey may exercise discretionary voting authority at the 2001 annual meeting under proxies it solicits to vote on a proposal made by a shareholder that the shareholder does not seek to include in Massey's proxy statement pursuant to Rule 14a-8, unless Massey is notified about the proposal between December 14, 2000, and January 13, 2001, and the shareholder satisfies the other requirements of Rule 14a-4(c).

AVAILABLE INFORMATION

Fluor Corporation is, and Massey will continue to be, subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with the Exchange Act, files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. Copies of these reports, proxy statements and other information may be examined without charge in the Public Reference Room maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's regional offices located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and 7 World Trade Center, 13th Floor, New York, New York 10048. Please call the Commission at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. Copies of all or a portion of this proxy statement can be obtained from the Public Reference Room upon payment of prescribed fees. Fluor Corporation's filings with the Commission are also available to the public from commercial document retrieval services and at the Commission's web site at the address http://www.sec.gov. Reports and other information concerning Fluor Corporation can also be read and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York 10005.

This Proxy Statement constitutes a part of the Registration Statement on Form 10, together with all amendments, supplements, schedules and exhibits to the Registration Statement, referred to as the Registration Statement, which
New Fluor has filed with the Commission covering the shares of New Fluor Common Stock to be distributed in connection with the Distribution. This Proxy Statement does not contain all of the information in the Registration Statement. Reference is made to the Registration Statement for further information about New Fluor and New Fluor's common stock. Each statement contained in this Proxy Statement as to the contents of any contract, agreement or other document filed as an exhibit to the Registration Statement is qualified in its entirety by reference to such exhibit for a more complete description of the matter involved. The Registration Statement can be examined at the Commission's Public Reference Room.

After the Distribution, New Fluor will become subject to the information and reporting requirements of the Exchange Act and will be required to file periodic reports, proxy statements and other information with the Commission. New Fluor will send an annual report to shareholders, containing audited financial statements, and any additional reports or statements required by the Commission.

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Combined Financial Statements:
### FLUOR CORPORATION

#### CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

Nine Months Ended July 31, 2000 and 1999
(Unaudited)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ in thousands, except per share amounts)</td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td>$8,458,938</td>
<td>$9,544,816</td>
</tr>
<tr>
<td>COSTS AND EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>8,207,817</td>
<td>9,259,978</td>
</tr>
<tr>
<td>Special provision</td>
<td>(17,919)</td>
<td>136,500</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>45,278</td>
<td>40,504</td>
</tr>
<tr>
<td>Interest expense</td>
<td>43,910</td>
<td>38,451</td>
</tr>
<tr>
<td>Interest income</td>
<td>(14,512)</td>
<td>(14,530)</td>
</tr>
<tr>
<td>Total Costs and Expenses</td>
<td>8,264,574</td>
<td>9,460,903</td>
</tr>
<tr>
<td>EARNINGS BEFORE INCOME TAXES</td>
<td>194,364</td>
<td>83,913</td>
</tr>
<tr>
<td>INCOME TAX EXPENSE</td>
<td>57,732</td>
<td>55,575</td>
</tr>
<tr>
<td>NET EARNINGS</td>
<td>$ 136,632</td>
<td>$ 28,338</td>
</tr>
<tr>
<td>EARNINGS PER SHARE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ 1.81</td>
<td>$ 0.38</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ 1.79</td>
<td>$ 0.37</td>
</tr>
<tr>
<td>DIVIDENDS PER COMMON SHARE</td>
<td>$ 0.75</td>
<td>$ 0.60</td>
</tr>
<tr>
<td>SHARES USED TO CALCULATE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>75,340</td>
<td>75,158</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>76,345</td>
<td>75,884</td>
</tr>
</tbody>
</table>

See Accompanying Notes.
## FLUOR CORPORATION

**CONDENSED CONSOLIDATED BALANCE SHEET**

July 31, 2000 and October 31, 1999  
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>July 31, 2000</th>
<th>October 31, 1999*</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$105,638</td>
<td>$209,614</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>826,664</td>
<td>850,557</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>449,486</td>
<td>416,285</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>126,142</td>
<td>105,502</td>
</tr>
<tr>
<td>Inventory and other current assets</td>
<td>315,240</td>
<td>328,213</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$1,823,170</td>
<td>$1,910,171</td>
</tr>
<tr>
<td>Property, plant and equipment (net of accumulated depreciation, depletion and amortization of $1,371,957 and $1,245,644, respectively)</td>
<td>$2,314,773</td>
<td>$2,222,953</td>
</tr>
<tr>
<td>Investments and goodwill, net</td>
<td>238,454</td>
<td>283,936</td>
</tr>
<tr>
<td>Other</td>
<td>500,186</td>
<td>469,057</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$4,876,583</td>
<td>$4,886,117</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>$709,824</td>
<td>$793,465</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>425,529</td>
<td>247,911</td>
</tr>
<tr>
<td>Advance billings on contracts</td>
<td>443,816</td>
<td>565,373</td>
</tr>
<tr>
<td>Accrued salaries, wages and benefit plans</td>
<td>274,816</td>
<td>321,148</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>240,789</td>
<td>276,413</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$2,094,819</td>
<td>$2,204,310</td>
</tr>
<tr>
<td>Long-term debt due after one year</td>
<td>317,569</td>
<td>317,555</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>182,263</td>
<td>162,210</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>636,003</td>
<td>620,670</td>
</tr>
<tr>
<td><strong>Contingencies and commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred--authorized 20,000,000 shares without par value; none issued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common--authorized 150,000,000 shares of $0.625 par value; issued and outstanding--75,669,076 shares and 76,034,296 shares, respectively</td>
<td>47,293</td>
<td>47,521</td>
</tr>
<tr>
<td>Additional capital</td>
<td>210,144</td>
<td>217,844</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,454,924</td>
<td>1,375,338</td>
</tr>
<tr>
<td>Unamortized executive stock plan expense</td>
<td>(26,062)</td>
<td>(21,579)</td>
</tr>
</tbody>
</table>
## Condensed Consolidated Statement of Cash Flows

**Nine Months Ended July 31, 2000 and 1999**

(UNAUDITED)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>$136,632</td>
<td>$28,338</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings to cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>229,365</td>
<td>236,712</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>4,560</td>
<td>13,497</td>
</tr>
<tr>
<td>Special provision, net of cash paid</td>
<td>(33,719)</td>
<td>118,261</td>
</tr>
<tr>
<td>Asset write-off</td>
<td>17,762</td>
<td>--</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, excluding effects of business acquisitions/dispositions</td>
<td>(251,364)</td>
<td>(47,478)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(12,887)</td>
<td>(44,815)</td>
</tr>
<tr>
<td><strong>Cash provided by operating activities</strong></td>
<td>$90,349</td>
<td>$304,515</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(385,653)</td>
<td>(362,437)</td>
</tr>
<tr>
<td>Proceeds from sale of subsidiary</td>
<td>--</td>
<td>36,300</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>70,956</td>
<td>92,295</td>
</tr>
<tr>
<td>Investments, net</td>
<td>27,039</td>
<td>(13,441)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(11,755)</td>
<td>(17,360)</td>
</tr>
<tr>
<td><strong>Cash utilized by investing activities</strong></td>
<td>(299,413)</td>
<td>(264,643)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in short-term borrowings</td>
<td>171,809</td>
<td>(185,156)</td>
</tr>
<tr>
<td>Proceeds from issuance of note payable to affiliate</td>
<td>8,959</td>
<td>50,479</td>
</tr>
<tr>
<td>Proceeds from issuance of long-term debt</td>
<td>--</td>
<td>17,550</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(57,046)</td>
<td>(45,484)</td>
</tr>
<tr>
<td>Stock options exercised</td>
<td>5,829</td>
<td>4,161</td>
</tr>
<tr>
<td>Purchases of common stock</td>
<td>(23,003)</td>
<td>--</td>
</tr>
<tr>
<td>Other, net</td>
<td>(1,460)</td>
<td>(2,080)</td>
</tr>
<tr>
<td><strong>Cash provided (utilized) by financing activities</strong></td>
<td>$105,088</td>
<td>(160,530)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decrease in cash and cash equivalents</strong></td>
<td>(103,976)</td>
<td>(120,658)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>209,614</td>
<td>340,544</td>
</tr>
</tbody>
</table>
FLUOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) The condensed consolidated financial statements do not include footnotes and certain financial information normally presented annually under generally accepted accounting principles and, therefore, should be read in conjunction with the Company's October 31, 1999 annual report on Form 10-K. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the nine months ended July 31, 2000 are not necessarily indicative of results that can be expected for the full year.

The condensed consolidated financial statements included herein are unaudited; however, they contain all adjustments (consisting of normal recurring accruals) which, in the opinion of the Company, are necessary to present fairly its consolidated financial position at July 31, 2000 and its consolidated results of operations and cash flows for the nine months ended July 31, 2000 and 1999.

Certain 1999 amounts have been reclassified to conform with the 2000 presentation.

(2) Inventories comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>July 31, 2000 (in thousands)</th>
<th>October 31, 1999 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment for sale/rental</td>
<td>$75,008</td>
<td>$131,781</td>
</tr>
<tr>
<td>Coal</td>
<td>$73,005</td>
<td>$72,070</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>$56,727</td>
<td>$44,267</td>
</tr>
<tr>
<td></td>
<td>$204,740</td>
<td>$248,118</td>
</tr>
</tbody>
</table>

(3) Short-term debt comprises the following:

<table>
<thead>
<tr>
<th></th>
<th>July 31, 2000 (in thousands)</th>
<th>October 31, 1999 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper</td>
<td>$273,527</td>
<td>$113,746</td>
</tr>
<tr>
<td>Note payable to affiliate</td>
<td>122,338</td>
<td>113,379</td>
</tr>
<tr>
<td>Notes payable to banks</td>
<td>27,528</td>
<td>15,500</td>
</tr>
<tr>
<td>Trade notes payable</td>
<td>2,136</td>
<td>5,286</td>
</tr>
<tr>
<td></td>
<td>$425,529</td>
<td>$247,911</td>
</tr>
</tbody>
</table>
(4) Total comprehensive income represents the net change in shareholders' equity during a period from sources other than transactions with shareholders and as such, includes net earnings. For the Company, the only other component of total comprehensive income is the change in the cumulative foreign currency translation adjustments recorded in shareholders' equity.

The components of comprehensive income, net of related tax, are as follows:

<table>
<thead>
<tr>
<th>Nine Months Ended July 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>($ in thousands)</td>
</tr>
<tr>
<td>Net earnings</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
</tr>
<tr>
<td>Comprehnsive income</td>
</tr>
</tbody>
</table>

(5) Cash paid for interest was $40.8 million and $33.6 million for the nine month periods ended July 31, 2000 and 1999, respectively. Income tax payments, net of receipts, were $49.2 million and $46.4 million during the nine month periods ended July 31, 2000 and 1999, respectively.

(6) The Company has a forward purchase contract for 1,850,000 shares of its common stock. The contract matures in October 2000 and gives the Company the ultimate choice of settlement option, either physical settlement or net share settlement. As of July 31, 2000, the contract settlement cost per share exceeded the current market price per share by $23.70.

If during the term of the contract, the price of the Company's stock falls to certain levels, as defined in the contract, the holder of the contract has the right to require the Company to register the shares or, if the price declines beyond a stated level, to settle the contract at the Company's choice of settlement option.

(7) In March 1999, the Company announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization, the Company recorded in the nine months ended July 31, 1999 a special provision of $136.5 million pretax to cover direct and other reorganization related costs, primarily for personnel, facilities and asset impairment adjustments. During the nine months ended July 31, 2000, $17.9 million of the special provision was reversed into earnings as a result of the Company's decision to retain ownership and remain in its current office location in Camberley, U.K.

To date, the Company has eliminated slightly more than 5,000 jobs with additional separations to be completed by the end of the fiscal year. Two offices were closed during the nine months ended July 31, 2000. These closures and the decision to retain facilities in Camberley, bring total offices closed to 15 thus completing the office utilization initiatives under the
reorganization plan.

The following table summarizes the status of the Company's reorganization plan as of July 31, 2000:

<table>
<thead>
<tr>
<th></th>
<th>Personnel Costs</th>
<th>Asset Impairments</th>
<th>Lease Termination Costs</th>
<th>Other</th>
<th>Total ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at October 31, 1999</td>
<td>$25.2</td>
<td>$23.4</td>
<td>$9.7</td>
<td>$0.2</td>
<td>$58.5</td>
</tr>
<tr>
<td>Cash expenditures</td>
<td>(10.7)</td>
<td>--</td>
<td>(5.1)</td>
<td>--</td>
<td>(15.8)</td>
</tr>
<tr>
<td>Non-cash activities</td>
<td>(2.1)</td>
<td>(5.5)</td>
<td>--</td>
<td>(0.2)</td>
<td>(7.8)</td>
</tr>
<tr>
<td>Provision reversal</td>
<td>--</td>
<td>(17.9)</td>
<td>--</td>
<td>--</td>
<td>(17.9)</td>
</tr>
<tr>
<td>Balance at July 31, 2000</td>
<td>$12.4</td>
<td>--</td>
<td>$4.6</td>
<td>--</td>
<td>$17.0</td>
</tr>
</tbody>
</table>

The special provision liability as of July 31, 2000 is included in other accrued liabilities. The liability for personnel costs will be substantially utilized by year-end. The liability associated with abandoned lease space will be amortized as an offset to lease expense over the remaining life of the respective leases starting on the date of abandonment.

(8) In the fourth quarter of 1999, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). The statement establishes new standards for the way that business enterprises report information about operating segments as well as the related disclosures about products and services, geographical areas and major customers. The adoption of SFAS No. 131 did not affect the consolidated results of operations or financial position of the Company, but it did affect the business segments that are disclosed. Prior year disclosures have been restated to conform to the new basis of reporting.

FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Operating Information by Segment--For the nine months ended July 31, 2000 and 1999:
Reconciliation of Segment Information to Consolidated Amounts--For the nine months ended July 31, 2000 and 1999:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total segment operating profit</td>
<td>$256.0</td>
<td>$288.7</td>
</tr>
<tr>
<td>Special provision</td>
<td>17.9</td>
<td>(136.5)</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>(45.3)</td>
<td>(40.5)</td>
</tr>
<tr>
<td>Interest (expense) income, net</td>
<td>(29.4)</td>
<td>(23.9)</td>
</tr>
<tr>
<td>Other items, net</td>
<td>(4.8)</td>
<td>(3.9)</td>
</tr>
<tr>
<td>Total earnings before taxes</td>
<td>$194.4</td>
<td>$83.9</td>
</tr>
</tbody>
</table>

(9) On June 7, 2000, the Company's Board of Directors approved a transaction that will separate the Company into two independent entities--Fluor and Massey Energy. This action will enable the management teams of Fluor and Massey Energy to focus more closely on their respective businesses and will provide each of the companies with the flexibility to grow in a way that is best suited to its industry. The transaction will be structured as a spin-off, resulting in the creation of two publicly held companies. At the time of the spin-off, Fluor shareholders will retain their existing Fluor stock, which will become Massey Energy shares, and will be issued an equal number of shares of "New" Fluor stock through a tax-free distribution. The "Old" Fluor's name will be changed to Massey Energy Company. The proposed transaction, which is expected to be completed by the end of the calendar year, is subject to shareholder approval, establishment of new capital structures, and a favorable ruling by the Internal Revenue Service.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders Fluor Corporation

We have audited the accompanying consolidated balance sheet of Fluor Corporation as of October 31, 1999 and 1998, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the three years in the period ended October 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fluor Corporation at October 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 1999, in conformity with accounting principles generally accepted in the United States.
CONSOLIDATED STATEMENT OF EARNINGS

Year Ended October 31,

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands, except per share amounts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering and construction services</td>
<td>$11,334,355</td>
<td>$12,377,476</td>
<td>$13,217,515</td>
</tr>
<tr>
<td>Coal</td>
<td>1,083,030</td>
<td>1,127,297</td>
<td>1,081,026</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$12,417,385</td>
<td>$13,504,773</td>
<td>$14,298,541</td>
</tr>
<tr>
<td>COST OF REVENUES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering and construction services</td>
<td>11,090,520</td>
<td>12,140,901</td>
<td>13,096,310</td>
</tr>
<tr>
<td>Coal</td>
<td>936,173</td>
<td>954,535</td>
<td>926,260</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>$12,026,693</td>
<td>$13,095,436</td>
<td>$14,022,570</td>
</tr>
<tr>
<td>OTHER (INCOME) AND EXPENSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special provision</td>
<td>117,200</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Corporate administrative and general expense</td>
<td>55,350</td>
<td>22,598</td>
<td>13,230</td>
</tr>
<tr>
<td>Interest expense</td>
<td>50,918</td>
<td>45,277</td>
<td>30,758</td>
</tr>
<tr>
<td>Interest income</td>
<td>(18,429)</td>
<td>(21,164)</td>
<td>(23,286)</td>
</tr>
<tr>
<td>Total cost and expenses</td>
<td>$12,231,732</td>
<td>$13,142,147</td>
<td>$14,043,272</td>
</tr>
<tr>
<td>EARNINGS BEFORE TAXES</td>
<td>$185,653</td>
<td>$362,626</td>
<td>$255,269</td>
</tr>
<tr>
<td>INCOME TAX EXPENSE</td>
<td>81,466</td>
<td>127,282</td>
<td>109,082</td>
</tr>
<tr>
<td>NET EARNINGS</td>
<td>$104,187</td>
<td>$235,344</td>
<td>$146,187</td>
</tr>
<tr>
<td>EARNINGS PER SHARE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$1.38</td>
<td>$2.99</td>
<td>$1.76</td>
</tr>
<tr>
<td>Diluted</td>
<td>$1.37</td>
<td>$2.97</td>
<td>$1.75</td>
</tr>
<tr>
<td>SHARES USED TO CALCULATE EARNINGS PER SHARE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>75,228</td>
<td>78,801</td>
<td>83,091</td>
</tr>
<tr>
<td>Diluted</td>
<td>75,929</td>
<td>79,135</td>
<td>83,478</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
## CONSOLIDATED BALANCE SHEET

At October 31, 1999 and 1998  

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>209,614</td>
<td>340,544</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>850,557</td>
<td>959,416</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>416,285</td>
<td>596,983</td>
</tr>
<tr>
<td>Inventories</td>
<td>248,118</td>
<td>198,645</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>105,502</td>
<td>81,155</td>
</tr>
<tr>
<td>Other current assets</td>
<td>80,095</td>
<td>64,108</td>
</tr>
<tr>
<td>Net assets held for sale</td>
<td>--</td>
<td>36,300</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,910,171</td>
<td>2,277,151</td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>71,664</td>
<td>69,779</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>352,883</td>
<td>352,653</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2,103,663</td>
<td>2,012,539</td>
</tr>
<tr>
<td>Mining properties and mineral rights</td>
<td>858,965</td>
<td>788,978</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>81,422</td>
<td>56,282</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation, depletion and amortization</strong></td>
<td>1,245,644</td>
<td>1,132,923</td>
</tr>
<tr>
<td><strong>Net property, plant and equipment</strong></td>
<td>2,222,953</td>
<td>2,147,308</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill, net of accumulated amortization of $32,458 and $33,766, respectively</td>
<td>116,045</td>
<td>139,091</td>
</tr>
<tr>
<td>Investments</td>
<td>167,891</td>
<td>137,562</td>
</tr>
<tr>
<td>Other</td>
<td>469,057</td>
<td>318,096</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>752,993</td>
<td>594,749</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade accounts and notes payable</td>
<td>798,751</td>
<td>972,096</td>
</tr>
<tr>
<td>Commercial paper, loan notes and a note payable to affiliate of $113,379 in 1999</td>
<td>242,625</td>
<td>428,458</td>
</tr>
<tr>
<td>Advance billings on contracts</td>
<td>565,373</td>
<td>546,816</td>
</tr>
<tr>
<td>Accrued salaries, wages and benefit plan liabilities</td>
<td>321,148</td>
<td>324,412</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>276,413</td>
<td>223,596</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>--</td>
<td>176</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>2,204,310</td>
<td>2,495,554</td>
</tr>
<tr>
<td>Long-Term Debt Due After One Year</td>
<td>317,555</td>
<td>300,428</td>
</tr>
</tbody>
</table>

Noncurrent Liabilities
Deferred taxes........................................ 162,210 105,515
Other................................................. 620,670 592,102
----------  ----------
Total noncurrent liabilities.................... 782,880 697,617
----------  ----------

Contingencies and Commitments

Shareholders' Equity
Capital stock
Preferred--authorized 20,000,000 shares without par value, none issued
Common--authorized 150,000,000 shares of $.625 par value; issued and outstanding in 1999--76,034,296 shares and in 1998--75,572,537 shares........... 47,521 47,233
Additional capital.................................... 217,844 199,077
Retained earnings..................................... 1,375,338 1,331,843
Unamortized executive stock plan expense.............. (21,579) (22,633)
Accumulated other comprehensive income................ (37,752) (29,911)
----------  ----------
Total shareholders' equity....................... 1,581,372 1,525,609
----------  ----------
$4,886,117  $5,019,208
========  =========

See Notes to Consolidated Financial Statements.

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FLUOR CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended October 31, 1999

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CASH FLOWS FROM OPERATING ACTIVITIES

Net earnings........................................... $ 104,187 $ 235,344 $ 146,187
Adjustments to reconcile net earnings to cash provided by operating activities:
Depreciation, depletion and amortization.............. 318,204 288,870 248,353
Deferred taxes........................................... 29,268 28,780 25,428
Special provision, net of cash payments..............  85,410   --   --
Provisions for impairment/abandonment of joint ventures and investments...........   --   -- 22,962
Gain on sale of business...............................   --   --   (7,222)
Changes in operating assets and liabilities, excluding effects of business acquisitions/dispositions...................  (22,551) 168,576  (67,224)
Other, net...........................................  (49,642) (19,051)  (39,860)
----------  -------  -------
Cash provided by operating activities.............. 464,876 702,519 328,624
----------  -------  -------

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures................................... (504,334) (600,933) (466,202)
E&C businesses acquired...............................   --   -- (141,718)
Coal businesses and reserves acquired...............   -- (12,004)  (39,482)
Proceeds from sales and maturities of marketable securities...........................  10,089 59,289
Investments, net....................................... (4,688) (20,745)  (9,275)
----------  -------  -------

Proceeds from sale of property, plant and equipment............................. 105,154 125,493 50,996
Collection of notes receivable.................................................... -- -- 77,496
Contributions to deferred compensation trusts................................ (8,160) (21,365) (43,026)
Net assets held for sale, including cash........................................ 36,300 (26,375) --
Proceeds from sale of business.................................................... -- -- 11,992
Other, net.............................................................................. 549 (17,477) (12,041)

Cash utilized by investing activities................................. (375,179) (563,317) (511,971)

CASH FLOWS FROM FINANCING ACTIVITIES
Cash dividends paid.............................................................. (60,692) (63,497) (63,750)
(Decrease) increase in short-term borrowings, net.......................... (299,212) 341,809 21,692
Proceeds from issuance of note payable to affiliate....................... 113,379 -- --
Proceeds from (payments on) long-term debt, net.......................... 16,951 9,935 16,007
Stock options exercised......................................................... 10,760 9,935 16,007
Purchases of common stock....................................................... -- (378,979) (33,924)
Other, net............................................................................. (1,813) (6,965) (37)

Cash (utilized) provided by financing activities........................... (220,627) (97,982) 235,707

(Decrease) increase in cash and cash equivalents............................ 130,930 41,220 52,360
Cash and cash equivalents at beginning of year.............................. 340,544 299,324 246,964
Cash and cash equivalents at end of year.................................... $ 209,614 $ 340,544 $ 299,324

See Notes to Consolidated Financial Statements.
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FLUOR CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Unamortized Executive</th>
<th>Accumulated</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Capital</td>
<td>Stock Plan Expense</td>
<td>Other Comprehensive Income</td>
<td>Retained</td>
<td>Total</td>
</tr>
<tr>
<td>(in thousands, except per share amounts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BALANCE AT OCTOBER 31, 1996... 83,791 552,369 573,037 (32,538) (701) 1,077,559 1,669,726

Comprehensive income
Foreign currency translation adjustment (net of deferred taxes of $3,867)........ -- -- -- -- (6,503) -- (6,503)
Comprehensive income.......................................................... -- -- -- -- -- -- 139,684
Cash dividends ($0.76 per share)........................................... 415 260 15,747 -- -- (63,750) (63,750)
Exercise of stock options, net................................................ -- -- -- -- -- -- (16,007)
Stock option tax benefit........................................................ -- -- 3,528 -- -- -- 3,528
Amortization of executive stock plan expense................................ -- -- -- 8,183 -- -- 8,183
Issuance of restricted stock, net............................................. 161 101 9,006 (9,086) -- -- 21
Purchases of common stock...................................................... (619) (387) (33,537) -- -- -- (33,924)
Tax benefit from reduction of valuation allowance for...........................................

See Notes to Consolidated Financial Statements.
### Deferred Tax Assets

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,575</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### BALANCE AT OCTOBER 31, 1997

|                     | 83,748 | 52,343 | 569,356 | (33,441) | (7,204) | 1,159,996 | 1,741,050 |

### Comprehensive Income

#### Net Earnings

|                     | -- | -- | -- | -- | -- | 235,344 | 235,344 |

#### Foreign Currency Translation Adjustment

|                     | -- | -- | -- | -- | -- | (22,707) | (22,707) |

#### Comprehensive Income

|                     | -- | -- | -- | -- | -- | 212,637 |

#### Cash Dividends ($0.80 per share)

|                     | -- | -- | -- | -- | -- | (63,497) | (63,497) |

#### Exercise of Stock Options, net

|                     | 268 | 167 | 9,768 | -- | -- | 9,935 |

#### Stock Option Tax Benefit

|                     | -- | -- | 2,425 | -- | -- | 2,425 |

#### Amortization of Executive Stock Plan Expense

|                     | -- | -- | 7,343 | -- | -- | 7,343 |

#### Issuance of Restricted Stock, net

|                     | (144) | (90) | (9,680) | 3,465 | -- | (5,305) |

#### Purchases of Common Stock

|                     | (8,299) | (5,187) | (373,792) | -- | -- | (378,979) |

### BALANCE AT OCTOBER 31, 1998

|                     | 75,573 | 47,233 | 199,077 | (22,633) | (29,911) | 1,331,843 | 1,525,609 |

#### Comprehensive Income

|                     | -- | -- | -- | -- | -- | 96,346 |

#### Cash Dividends ($0.80 per share)

|                     | -- | -- | -- | -- | -- | (60,692) | (60,692) |

#### Exercise of Stock Options, net

|                     | 304 | 190 | 10,570 | -- | -- | 10,760 |

#### Stock Option Tax Benefit

|                     | -- | -- | 1,989 | -- | -- | 1,989 |

#### Amortization of Executive Stock Plan Expense

|                     | -- | -- | 7,517 | -- | -- | 7,517 |

#### Issuance of Restricted Stock, net

|                     | 157 | 98 | 6,208 | (6,463) | -- | (157) |

### BALANCE AT OCTOBER 31, 1999

|                     | 76,034 | 647,521 | 217,844 | $21,579 | $37,752 | $1,375,338 | $1,581,372 |

See Notes to Consolidated Financial Statements.
the percentage-of-completion method, based primarily on contract costs incurred to date compared with total estimated contract costs. Customer-furnished materials, labor and equipment, and in certain cases subcontractor materials, labor and equipment, are included in revenues and cost of revenues when management believes that the company is responsible for the ultimate acceptability of the project. Contracts are segmented between types of services, such as engineering and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. Amounts billed to clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts. The company anticipates that substantially all incurred costs associated with contract work in progress at October 31, 1999 will be billed and collected in 2000.

Depreciation, Depletion and Amortization

Additions to property, plant and equipment are recorded at cost. Assets other than mining properties and mineral rights are depreciated principally using the straight-line method over the following estimated useful lives: buildings and improvements--three to 50 years and machinery and equipment--two to 30 years. Mining properties and mineral rights are depleted on the units-of-production method. Leasehold improvements are amortized over the lives of the respective leases. Goodwill is amortized on the straight-line method over periods not longer than 40 years.

Exploration, Development and Reclamation

Coal exploration costs are expensed as incurred. Development and acquisition costs of coal properties, when significant, are capitalized in mining properties and depleted. The company accurses for post-mining reclamation costs as coal is mined. Reclamation of disturbed surface acreage is performed as a normal part of the mining process.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns.

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FLUOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Earnings per Share

Basic earnings per share (EPS) is calculated by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of all dilutive securities, consisting of employee stock options and restricted stock, and equity forward contracts.

The impact of dilutive securities on the company's EPS calculation is as follows:

<table>
<thead>
<tr>
<th>Year ended October 31, 1999</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Inventories are stated at the lower of cost or market using specific identification or the average cost method. Inventories comprise:

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment for sale/rental</td>
<td>$131,781</td>
<td>$94,179</td>
</tr>
<tr>
<td>Coal</td>
<td>72,070</td>
<td>52,628</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>44,267</td>
<td>51,838</td>
</tr>
<tr>
<td></td>
<td>$248,118</td>
<td>$198,645</td>
</tr>
</tbody>
</table>

Internal Use Software

Effective for fiscal year 1999, the company adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The statement requires capitalization of certain costs incurred in the development of internal-use software, including external direct material and service costs, employee payroll and payroll-related costs. Prior to the adoption of SOP 98-1, the company capitalized only purchased software which was ready for service; all other costs were expensed as incurred. The adoption of this statement did not have a material effect on the company's financial statements.

Foreign Currency

The company uses forward exchange contracts to hedge certain foreign currency transactions entered into in the ordinary course of business. The company does not engage in currency speculation. The company's forward exchange contracts do not subject the company to significant risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on the assets, liabilities or transactions being hedged. Accordingly, the unrealized gains and losses are deferred and included in the measurement of the related foreign currency transaction. At October 31, 1999, the company had approximately $124 million of foreign exchange contracts outstanding relating to lease commitments and contract obligations. The forward exchange contracts generally require the company to exchange U.S. Dollars for foreign currencies at maturity, at rates agreed to at inception of the contracts. If the counterparties to the exchange contracts (AA rated banks) do not fulfill their obligations to deliver the contracted currencies, the company could be at risk for any currency related fluctuations. The amount of any gain or loss on these contracts in 1999, 1998 and 1997 was immaterial. The contracts are of varying duration, none of which extend beyond December 2000. The company limits
exposure to foreign currency fluctuations in most of its engineering and construction contracts through provisions that require client payments in U.S. Dollars or other currencies corresponding to the currency in which costs are incurred. As a result, the company generally does not need to hedge foreign currency cash flows for contract work performed. The functional currency of all significant foreign operations is the local currency.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes new standards for recording derivatives in interim and annual financial statements. This statement, as amended, is effective for the company's fiscal year 2001. Management does not anticipate that the adoption of the new statement will have a significant impact on the results of operations or the financial position of the company.

Concentrations of Credit Risk

The majority of accounts receivable and all contract work in progress are from engineering and construction clients in various industries and locations throughout the world. Most contracts require payments as the projects progress or in certain cases advance payments. The company generally does not require collateral, but in most cases can place liens against the property, plant or equipment constructed or terminate the contract if a material default occurs. Accounts receivable from customers of the company's coal operations are primarily concentrated in the steel and utility industries. The company maintains adequate reserves for potential credit losses and such losses have been minimal and within management's estimates.

Stock Plans

The company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for stock appreciation rights and performance equity units is recorded based on the quoted market price of the company's stock at the end of the period.

Comprehensive Income

Effective November 1, 1998, the company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which establishes standards for the reporting and display of total comprehensive income and its components in financial statements. The adoption of this statement had no effect on the company's net earnings or total shareholders' equity.

Total comprehensive income represents the net change in shareholders' equity during a period from sources other than transactions with shareholders and as such, includes net earnings. For the company, the only other component of total comprehensive income is the change in the cumulative foreign currency translation adjustments recorded in shareholders' equity. Prior period financial statements have been reclassified to conform with the provisions of the new standard.

Consolidated Statement of Cash Flows

Securities with maturities of 90 days or less at the date of purchase are
classified as cash equivalents. Securities with maturities beyond 90 days, when present, are classified as marketable securities and are carried at fair value.

The changes in operating assets and liabilities as shown in the Consolidated Statement of Cash Flows comprise:

<table>
<thead>
<tr>
<th>Year Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1999       1998      1997</td>
</tr>
<tr>
<td>---------  --------  ---------</td>
</tr>
<tr>
<td>(in thousands)</td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
</tr>
<tr>
<td>Accounts and notes receivable........... $  25,972 $(84,394) $(113,454)</td>
</tr>
<tr>
<td>Contract work in progress............... 180,698 73,575 (130,257)</td>
</tr>
<tr>
<td>Inventories................................ (49,473) (23,197) (40,303)</td>
</tr>
<tr>
<td>Other current assets.................... (16,054) (192) (17,028)</td>
</tr>
<tr>
<td>(Decrease) increase in:</td>
</tr>
<tr>
<td>Accounts payable........................ (173,345) 127,229 130,992</td>
</tr>
<tr>
<td>Advance billings on contracts........... 18,557 21,298 79,510</td>
</tr>
<tr>
<td>Accrued liabilities..................... (8,906) 54,257 23,316</td>
</tr>
<tr>
<td>(Increase) decrease in operating assets and liabilities............... $ (22,551) $168,576 $(67,224)</td>
</tr>
<tr>
<td>Cash paid during the year for:</td>
</tr>
<tr>
<td>Interest expense........................ $  47,558 $ 44,057 $ 25,491</td>
</tr>
<tr>
<td>Income tax payments, net.............. $  52,025 $ 52,346 $ 75,967</td>
</tr>
</tbody>
</table>

Business Acquisitions

The following summarizes major engineering and construction related acquisitions completed during 1997. All of these acquisitions were in the Fluor Global Services segment. There were no major engineering and construction related acquisitions in 1999 and 1998.

. ConSol Group, a privately held U.S. company headquartered in New Hampshire, that provides staffing personnel in the fields of information technology and allied health.

. J.W. Burress, Inc., a privately held U.S. company headquartered in Virginia, that provides product support services and sells, rents and services new and used construction and industrial machinery.

. SMA Companies, privately held U.S. companies headquartered in California and Georgia. These companies sell, rent and service heavy construction and industrial equipment and provide proprietary software to other equipment distributors throughout the U.S.

These businesses and other smaller acquisitions were purchased for a total of $142 million. The fair value of assets acquired, including working capital of $42 million and goodwill of $67 million, was $196 million, and liabilities assumed totaled $54 million.

In 1998, the company's coal segment, through its Massey Coal Company ("Massey"), acquired coal reserves for an aggregate cost of $12 million. Massey purchased two coal mining companies during 1997. The aggregate purchase price was $39 million and included the fair value of assets acquired, consisting of $55 million of property, plant and equipment, and mining rights, $13 million of working capital and other assets, net of other liabilities assumed of $29 million. These acquisitions, along with capital expenditures, have
been directed primarily towards acquiring additional coal reserves. There were no coal related acquisitions in 1999.

All of the above acquisitions have been accounted for under the purchase method of accounting and their results of operations have been included in the company's consolidated financial statements from the respective acquisition dates. If these acquisitions had been made at the beginning of the respective year acquired, pro forma results of operations would not have differed materially from actual results.

From time to time, the company enters into investment arrangements, including joint ventures, that are related to its engineering and construction business. During 1997 through 1999, the majority of these expenditures related to ongoing investments in an equity fund that focuses on energy related projects and a number of smaller, diversified ventures.

Business Dispositions

On October 28, 1998, the company entered into an agreement to sell its ownership interest in Fluor Daniel GTI, Inc. (FD/GTI). Under terms of the agreement, the company sold its 4,400,000 shares in FD/GTI for $8.25 per share, or $36.3 million in cash, on December 3, 1998. The net assets of FD/GTI were reflected on the 1998 consolidated balance sheet at net realizable value and included $26.4 million in cash and cash equivalents. This transaction did not have a material impact on the company's results of operations or financial position.

During 1997, the company completed the sale of ACQUION, a global provider of supply chain management services, for $12 million in cash, resulting in a pre-tax gain of $7 million.

Special Provision and Cost Reduction Initiatives

In March 1999, the company announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization, the company recorded in the second quarter a special provision of $136.5 million pre-tax to cover direct and other reorganization related costs, primarily for personnel, facilities and asset impairment adjustments.

Under the reorganization plan, approximately 5,000 jobs are expected to be eliminated. The provision includes amounts for personnel costs for certain affected employees that are entitled to receive severance benefits under established severance policies or by government regulations. Additionally, outplacement services may be provided on a limited basis to some affected employees. The provision also reflects amounts for asset impairment, primarily for property, plant and equipment; intangible assets (goodwill); and certain investments. The asset impairments were recorded primarily because of the company's decision to exit certain non-strategic geographic locations and businesses. The carrying values of impaired assets were adjusted to their current market values based on estimated sale proceeds, using either discounted cash flows or contractual amounts. Lease termination costs were also included in the special provision. The company anticipates closing 15 non-strategic offices worldwide as well as consolidating and downsizing other office locations. The closure or rationalization of these facilities is expected to be substantially completed by the end of fiscal year 2000.

As of October 31, 1999, the company has reduced headcount by approximately 5,000 employees and has closed 13 offices. The company anticipates closing two additional offices within the next six months. In October 1999, $19.3 million of the special provision was reversed into earnings as a result of lower than anticipated severance costs for personnel reductions in certain overseas offices. Both the actual number of employee terminations as well as the cost per employee termination were lower than originally estimated.
The following table summarizes the status of the company's reorganization plan as of October 31, 1999:

<table>
<thead>
<tr>
<th>Personnel Costs</th>
<th>Asset Impairments</th>
<th>Lease Termination Costs</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special provision</td>
<td>$72,200</td>
<td>$48,800</td>
<td>$14,500</td>
<td>$1,000</td>
</tr>
<tr>
<td>Cash expenditures</td>
<td>(25,089)</td>
<td>(1,094)</td>
<td>(4,793)</td>
<td>(814)</td>
</tr>
<tr>
<td>Non-cash activities</td>
<td>(2,576)</td>
<td>(24,360)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Provision reversal</td>
<td>(19,300)</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Balance at October 31, 1999</td>
<td>$25,235</td>
<td>$23,346</td>
<td>$9,707</td>
<td>$186</td>
</tr>
</tbody>
</table>

The special provision liability as of October 31, 1999 is included in other accrued liabilities. The liability for personnel costs and asset impairments will be substantially utilized by April 30, 2000. The liability associated with abandoned lease space will be amortized as an offset to lease expense over the remaining life of the respective leases starting on the date of abandonment.

During 1997, the company recorded $25.4 million in charges related to the implementation of certain cost reduction initiatives. These charges provided for personnel and facility related costs. As of October 31, 1999, substantially all of these costs had been incurred.

Income Taxes

The income tax expense (benefit) included in the Consolidated Statement of Earnings is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$5,931</td>
<td>$38,700</td>
<td>$50,906</td>
</tr>
<tr>
<td>Foreign</td>
<td>43,012</td>
<td>52,021</td>
<td>25,801</td>
</tr>
<tr>
<td>State and local</td>
<td>3,255</td>
<td>7,781</td>
<td>6,947</td>
</tr>
<tr>
<td>Total current</td>
<td>52,198</td>
<td>98,502</td>
<td>83,654</td>
</tr>
</tbody>
</table>

Deferred:

| Federal                | 26,872 | 43,369 | 19,972 |
| Foreign                | (2,641) | (19,295) | 3,908 |
| State and local        | 5,037 | 4,706 | 1,548 |
| Total deferred         | 29,268 | 28,780 | 25,428 |
FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

A reconciliation of U.S. statutory federal income tax expense to the company's income tax expense on earnings is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>total income tax expense</td>
<td>$64,979</td>
<td>$126,919</td>
<td>$89,344</td>
</tr>
<tr>
<td>increase (decrease) in taxes resulting from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>items without tax effect, net</td>
<td>26,158</td>
<td>888</td>
<td>13,307</td>
</tr>
<tr>
<td>state and local income taxes</td>
<td>5,048</td>
<td>7,868</td>
<td>5,337</td>
</tr>
<tr>
<td>depletion</td>
<td>(9,625)</td>
<td>(12,273)</td>
<td>(10,051)</td>
</tr>
<tr>
<td>effect of non-U.S. tax rates</td>
<td>(396)</td>
<td>3,433</td>
<td>10,620</td>
</tr>
<tr>
<td>other, net</td>
<td>(4,698)</td>
<td>447</td>
<td>525</td>
</tr>
<tr>
<td>total income tax expense</td>
<td>$81,466</td>
<td>$127,282</td>
<td>$109,082</td>
</tr>
</tbody>
</table>

Deferred taxes reflect the tax effects of differences between the amounts recorded as assets and liabilities for financial reporting purposes and the amounts recorded for income tax purposes. The tax effects of significant temporary differences giving rise to deferred tax assets and liabilities are as follows:

<table>
<thead>
<tr>
<th>At October 31,</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>accrued liabilities not currently deductible</td>
<td>$249,987</td>
<td>$224,319</td>
</tr>
<tr>
<td>alternative minimum tax credit carryforwards</td>
<td>44,287</td>
<td>32,505</td>
</tr>
<tr>
<td>net operating loss carryforwards of non-U.S. companies</td>
<td>29,133</td>
<td>22,441</td>
</tr>
<tr>
<td>translation adjustments</td>
<td>23,955</td>
<td>19,045</td>
</tr>
<tr>
<td>tax basis of building in excess of book basis</td>
<td>16,408</td>
<td>16,187</td>
</tr>
<tr>
<td>net operating loss carryforwards of acquired companies</td>
<td>6,503</td>
<td>7,177</td>
</tr>
<tr>
<td>other</td>
<td>71,926</td>
<td>73,599</td>
</tr>
<tr>
<td>total deferred tax assets</td>
<td>442,199</td>
<td>395,273</td>
</tr>
<tr>
<td>valuation allowance for deferred tax assets</td>
<td>(127,085)</td>
<td>(100,007)</td>
</tr>
<tr>
<td>deferred tax assets, net</td>
<td>315,114</td>
<td>295,266</td>
</tr>
<tr>
<td>deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The company has net operating loss carryforwards from non-U.S. operations of approximately $80 million which can be carried forward indefinitely until fully utilized. These losses primarily relate to the company’s operations in Australia, Chile, Germany and the United Kingdom. Deferred tax assets established for these losses aggregate $29 million and $22 million at October 31, 1999 and 1998, respectively.

In 1997, the company acquired the SMA Companies which had net operating loss carryforwards of approximately $47 million. The company has utilized approximately $5 million of the loss carryforwards, and made an election in its 1998 consolidated federal tax return to waive approximately $23 million of losses which otherwise would have expired without future tax benefit. The remaining loss carryforwards of approximately $19 million expire in the years 2004 through 2008. The utilization of such loss carryforwards is subject to stringent limitations under the Internal Revenue Code. Deferred tax assets established for these losses aggregate $7 million for both 1999 and 1998.

Substantially all of the company’s alternative minimum tax credits are associated with the coal business operated by Massey. These credits can be carried forward indefinitely until fully utilized.

The company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for the special provision, net operating loss carryforwards and alternative minimum tax credits. In 1999, increases in the valuation allowance are principally the result of the company’s special provision which did not receive full tax benefit. Any reductions in the allowance resulting from realization of the loss carryforwards of acquired companies will result in a reduction of goodwill.

Residual income taxes of approximately $8 million have not been provided on approximately $20 million of undistributed earnings of certain foreign subsidiaries at October 31, 1999, because the company intends to keep those earnings reinvested indefinitely.

United States and foreign earnings before taxes are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$168,698</td>
<td>$240,645</td>
<td>$231,921</td>
</tr>
<tr>
<td>Foreign</td>
<td>16,955</td>
<td>121,981</td>
<td>23,348</td>
</tr>
</tbody>
</table>
Retirement Benefits

The company sponsors contributory and non-contributory defined contribution retirement and defined benefit pension plans for eligible employees. Contributions to defined contribution retirement plans are based on a percentage of the employee's compensation. Expense recognized for these plans of approximately $56 million in 1999, $79 million in 1998, and $84 million in 1997, is primarily related to domestic engineering and construction operations. Effective January 1, 1999, the company replaced its domestic defined contribution retirement plan with a defined benefit cash balance plan. Contributions to defined benefit pension plans are generally at the minimum annual amount required by applicable regulations. Payments to retired employees under these plans are generally based upon length of service, age and/or a percentage of qualifying compensation. The defined benefit pension plans are primarily related to international engineering and construction operations, U.S. craft employees and coal operations.

F-20

Net periodic pension expense (income) for defined benefit pension plans includes the following components:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 35,370</td>
<td>$ 15,792</td>
<td>$ 15,301</td>
</tr>
<tr>
<td>Interest cost</td>
<td>25,088</td>
<td>24,220</td>
<td>23,743</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>(49,032)</td>
<td>(48,236)</td>
<td>(44,334)</td>
</tr>
<tr>
<td>Amortization of transition asset</td>
<td>(2,132)</td>
<td>(2,196)</td>
<td>(2,296)</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>337</td>
<td>355</td>
<td>347</td>
</tr>
<tr>
<td>Recognized net actuarial loss (gain)</td>
<td>58</td>
<td>(1,444)</td>
<td>(1,288)</td>
</tr>
<tr>
<td>Net periodic pension expense (income)</td>
<td>$ 9,689</td>
<td>$(11,509)</td>
<td>$(8,527)</td>
</tr>
</tbody>
</table>

The ranges of assumptions indicated below cover defined benefit pension plans in Australia, Germany, the United Kingdom, The Netherlands and the United States. These assumptions are as of each respective fiscal year-end based on the then current economic environment in each host country.

At October 31,

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rates</td>
<td>6.0-7.75%</td>
<td>5.0-6.75%</td>
</tr>
<tr>
<td>Rates of increase in compensation levels</td>
<td>3.5-4.00%</td>
<td>2.5-4.00%</td>
</tr>
<tr>
<td>Expected long-term rates of return on assets</td>
<td>5.0-9.50%</td>
<td>5.0-9.50%</td>
</tr>
</tbody>
</table>
The following table sets forth the change in benefit obligation, plan assets and funded status of the company's defined benefit pension plans:

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at beginning of year</td>
<td>$438,866</td>
<td>$358,539</td>
</tr>
<tr>
<td>Service cost</td>
<td>35,370</td>
<td>15,792</td>
</tr>
<tr>
<td>Interest cost</td>
<td>25,088</td>
<td>24,220</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>1,626</td>
<td>1,775</td>
</tr>
<tr>
<td>Currency translation</td>
<td>(19,068)</td>
<td>12,454</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(22,808)</td>
<td>52,498</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(27,319)</td>
<td>(26,412)</td>
</tr>
<tr>
<td><strong>Benefit obligation at end of year</strong></td>
<td>$431,755</td>
<td>$438,866</td>
</tr>
<tr>
<td><strong>Fair value at beginning of year</strong></td>
<td>$576,019</td>
<td>$539,814</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>103,938</td>
<td>42,324</td>
</tr>
<tr>
<td>Company contributions</td>
<td>5,646</td>
<td>4,711</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>1,626</td>
<td>1,775</td>
</tr>
<tr>
<td>Currency translation</td>
<td>(17,154)</td>
<td>13,999</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(27,319)</td>
<td>(26,412)</td>
</tr>
<tr>
<td>Plan amendments</td>
<td>(3,945)</td>
<td>(192)</td>
</tr>
<tr>
<td><strong>Fair value at end of year</strong></td>
<td>$638,811</td>
<td>$576,019</td>
</tr>
<tr>
<td><strong>Funded status</strong></td>
<td>$207,056</td>
<td>$137,153</td>
</tr>
<tr>
<td><strong>Unrecognized net actuarial (gain) loss</strong></td>
<td>(61,372)</td>
<td>16,579</td>
</tr>
<tr>
<td><strong>Unrecognized prior service cost</strong></td>
<td>170</td>
<td>601</td>
</tr>
<tr>
<td><strong>Unrecognized net asset</strong></td>
<td>(8,002)</td>
<td>(11,737)</td>
</tr>
<tr>
<td><strong>Pension assets</strong></td>
<td>$137,852</td>
<td>$142,596</td>
</tr>
</tbody>
</table>

Amounts shown above at October 31, 1999 and 1998 exclude the projected benefit obligation of approximately $101 million and $113 million, respectively, and an equal amount of associated plan assets relating to discontinued operations.

Massey participates in multiemployer defined benefit pension plans for its union employees. Pension expense was less than $1 million in each of the years ended October 31, 1999, 1998 and 1997. Under the Coal Industry Retiree Health Benefits Act of 1992, Massey is required to fund medical and death benefits of certain beneficiaries. Massey's obligation under the Act is estimated to aggregate approximately $56 million at October 31, 1999, which will be recognized as expense as payments are assessed. The expense recorded for such benefits was $4 million in 1999 and 1998 and $7 million in 1997.

In addition to the company's defined benefit pension plans, the company and certain of its subsidiaries provide health care and life insurance benefits for
certain retired employees. The health care and life insurance plans are
generally contributory, with retiree contributions adjusted annually. Service
costs are accrued currently. The accumulated postretirement benefit obligation
at October 31, 1999 and 1998 was determined in accordance with the current
terms of the company's health care plans, together with relevant actuarial
assumptions and health care cost trend rates projected at annual rates ranging
from 7.8 percent in 2000 down to

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

5 percent in 2004 and beyond. The effect of a one percent annual increase in
these assumed cost trend rates would increase the accumulated postretirement
benefit obligation and the aggregate of the annual service and interest costs
by approximately $11.8 million and $1.7 million, respectively. The effect of a
one percent annual decrease in these assumed cost trend rates would decrease
the accumulated postretirement benefit obligation and the aggregate of the
annual service and interest costs by approximately $8.9 million and $2.5
million, respectively.

Net periodic postretirement benefit cost includes the following components:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,850</td>
<td>$3,506</td>
<td>$3,107</td>
</tr>
<tr>
<td>Service cost</td>
<td>5,724</td>
<td>5,820</td>
<td>6,338</td>
</tr>
<tr>
<td>Interest cost</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>140</td>
<td>124</td>
<td>--</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>(458)</td>
<td>(555)</td>
<td>142</td>
</tr>
<tr>
<td>Recognized net actuarial (gain) loss</td>
<td>$9,256</td>
<td>$8,855</td>
<td>$9,587</td>
</tr>
</tbody>
</table>

The following table sets forth the change in benefit obligation of the
company's postretirement benefit plans:

<table>
<thead>
<tr>
<th>At October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
</tr>
<tr>
<td>$93,975</td>
</tr>
<tr>
<td>$3,850</td>
</tr>
<tr>
<td>$5,724</td>
</tr>
<tr>
<td>270</td>
</tr>
<tr>
<td>$(15,303)</td>
</tr>
<tr>
<td>$(4,655)</td>
</tr>
<tr>
<td>$83,861</td>
</tr>
</tbody>
</table>

Change in postretirement benefit obligation

Benefit obligation at beginning of year.

Service cost.

Interest cost.

Employee contributions.

Actuarial (gain) loss.

Benefits paid.

Benefit obligation at end of year.
Funded status ............................................... $(83,861) $(93,975)
Unrecognized net actuarial (gain) loss................ (11,650) 3,195
Unrecognized prior service cost.......................  1,776  1,916

------------------ ------------------
Accrued postretirement benefit obligation........ $(93,735) $(88,864)

The discount rate used in determining the postretirement benefit obligation was 7.75 percent and 6.75 percent at October 31, 1999 and 1998, respectively.

The preceding information does not include amounts related to benefit plans applicable to employees associated with certain contracts with the U.S. Department of Energy because the company is not responsible for the current or future funded status of these plans.

Fair Value of Financial Instruments

The estimated fair value of the company's financial instruments are as follows:

<table>
<thead>
<tr>
<th>Year Ended October 31,</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Amount</td>
<td>Fair Value</td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Assets:**
- Cash and cash equivalents......... $209,614 $209,614 $340,544 $340,544
- Notes receivable including noncurrent portion.............. 47,444 54,387 41,854 48,953
- Long-term investments............ 60,609 72,667 59,734 76,064

**Liabilities:**
- Commercial paper, loan notes and notes payable................ 247,911 247,911 430,508 430,508
- Long-term debt including current portion.................... 317,555 312,580 300,604 319,654
- Other noncurrent financial liabilities...................... 9,789 9,789 8,486 8,486

**Off-balance sheet financial instruments:**
- Forward contracts to purchase common stock...................... -- (21,170) -- (18,793)
- Foreign currency contract obligations..................... -- (1,311) -- 1,964
- Letters of credit.................. -- 546 -- 720
- Lines of credit.................. -- 965 -- 1,077

Fair values were determined as follows:

The carrying amounts of cash and cash equivalents, short-term notes receivable, commercial paper, loan notes and notes payable approximate fair value because of the short-term maturity of these instruments.
Long-term investments are based on quoted market prices for these or similar instruments. Long-term notes receivable are estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings.

The fair value of long-term debt, including current portion, is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the company for debt of the same maturities.

Other noncurrent financial liabilities consist primarily of deferred payments, for which cost approximates fair value.

Forward contracts to purchase common stock are based on the estimated cost to terminate or settle the obligation.

Foreign currency contract obligations are estimated by obtaining quotes from brokers.

Letters of credit and lines of credit amounts are based on fees currently charged for similar agreements or on the estimated cost to terminate or settle the obligations.

FINANCING ARRANGEMENTS

The company has unsecured committed revolving short- and long-term lines of credit with banks from which it may borrow for general corporate purposes up to a maximum of $600 million. Commitment and facility fees are paid on these lines. In addition, the company has $1.0 billion in short-term uncommitted lines of credit to support letters of credit, foreign currency contracts and loan notes. Borrowings under both committed and uncommitted lines of credit bear interest at prime or rates based on the London Interbank Offered Rate ("LIBOR"), domestic certificates of deposit or other rates which are mutually acceptable to the banks and the company. At October 31, 1999, no amounts were outstanding under the committed lines of credit. As of that date, $235 million of the short-term uncommitted lines of credit were used to support undrawn letters of credit and foreign currency contracts issued in the ordinary course of business and $16 million were used for outstanding loan notes.

The company had $114 million and $245 million in unsecured commercial paper outstanding at October 31, 1999 and 1998, respectively. The commercial paper was issued at a discount with a weighted-average effective interest rate of 5.9 percent at October 31, 1999 and 5.3 percent at October 31, 1998.

At October 31, 1999 the company had a $113 million note payable to an affiliated entity. The note is due on demand and bears interest at the rate of 5.41 percent as of October 31, 1999.

Long-term debt comprises:

<table>
<thead>
<tr>
<th>Long-term debt</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.95% Senior Notes due March 1, 2007</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>Other bonds and notes</td>
<td>17,555</td>
<td>604</td>
</tr>
</tbody>
</table>
In March 1997, the company issued $300 million of 6.95% Senior Notes (the Notes) due March 1, 2007 with interest payable semiannually on March 1 and September 1 of each year, commencing September 1, 1997. The Notes were sold at a discount for an aggregate price of $296.7 million. The Notes are redeemable, in whole or in part, at the option of the company at any time at a redemption price equal to the greater of (i) 100 percent of the principal amount of the Notes or (ii) as determined by a Quotation Agent as defined in the offering prospectus.

Included in other bonds and notes are $18 million of 5.625% municipal bonds issued in July 1999. The bonds are due June 1, 2019 with interest payable semiannually on June 1 and December 1 of each year, commencing December 1, 1999. The bonds are redeemable, in whole or in part, at the option of the company at a redemption price ranging from 100 percent to 102 percent of the principal amount of the bonds on or after June 1, 2009. In addition, the bonds are subject to other redemption clauses, at the option of the holder, should certain events occur, as defined in the offering prospectus.

Other Noncurrent Liabilities

The company maintains appropriate levels of insurance for business risks. Insurance coverages contain various deductible amounts for which the company provides accruals based on the aggregate of the liability for reported claims and an actuarially determined estimated liability for claims incurred but not reported. Other noncurrent liabilities include $61 million and $64 million at October 31, 1999 and 1998, respectively, relating to these liabilities.

Stock Plans

The company's executive stock plans, approved by the shareholders, provide for grants of nonqualified or incentive stock options, restricted stock awards and stock appreciation rights ("SARS"). All executive stock plans are administered by the Organization and Compensation Committee of the Board of Directors ("Committee") comprised of outside directors, none of whom are eligible to participate in the plans. Option grant prices are determined by the Committee and are established at the fair value of the company's common stock at the date of grant. Options and SARS normally extend for 10 years and become exercisable over a vesting period determined by the Committee, which can include accelerated vesting for achievement of performance or stock price objectives. During 1998, the company issued 1,696,420 options and 1,502,910 SARS that vest over three to four year periods and expire in five years. The majority of these awards have accelerated vesting provisions based on the price of the company's stock. Additionally, 58,000 and 189,075 nonqualified stock options were issued during 1999 and 1998, respectively, and 10,925 incentive stock options were issued during 1998, with 20 percent to 25 percent vesting upon issuance and the remaining awards vesting in installments of 20 percent to 25 percent per year commencing one year from the date of grant.

Restricted stock awards issued under the plans provide that shares awarded may not be sold or otherwise transferred until restrictions have lapsed or
performance objectives have been attained as established by the Committee. Upon termination of employment, shares upon which restrictions have not lapsed must be returned to the company. Restricted stock issued under the plans totaled 197,257 shares, 4,500 shares and 186,390 shares in 1999, 1998 and 1997, respectively.

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), the company has elected to continue following the guidance of APB Opinion No. 25, "Accounting for Stock Issued to Employees," for measurement and recognition of stock-based transactions with employees. Recorded compensation cost for these plans totaled $8 million in 1999. During 1998, the company recognized a net credit of $9 million for performance-based stock plans. This amount includes $10 million of expenses accrued in prior years which were reversed in 1998 as a result of not achieving prescribed performance targets. Compensation cost recognized for such plans totaled less than $1 million in 1997. Under APB Opinion No. 25, no compensation cost is recognized for the option plans where vesting provisions are based only on the passage of time. Had the company recorded compensation expense using the accounting method recommended by SFAS No. 123, net earnings and diluted earnings per share would have been reduced to the pro forma amounts as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands, except per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>$104,187</td>
<td>$235,344</td>
<td>$146,187</td>
</tr>
<tr>
<td>As Reported</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pro Forma</td>
<td>95,297</td>
<td>218,958</td>
<td>143,663</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As Reported</td>
<td>$1.37</td>
<td>$2.97</td>
<td>$1.75</td>
</tr>
<tr>
<td>Pro Forma</td>
<td>1.26</td>
<td>2.77</td>
<td>1.72</td>
</tr>
</tbody>
</table>

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FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The fair value of each option grant is estimated on the date of grant by using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for new grants:

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected option lives (years)</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Risk-free interest rates</td>
<td>4.51%</td>
<td>5.83%</td>
<td>6.30%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>1.38%</td>
<td>1.19%</td>
<td>1.15%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>33.76%</td>
<td>29.85%</td>
<td>24.58%</td>
</tr>
</tbody>
</table>

The weighted-average fair value of options granted during 1999, 1998 and 1997 was $15, $12 and $17, respectively.

The following table summarizes stock option activity:
<table>
<thead>
<tr>
<th>Stock Options</th>
<th>Weighted Average Exercise Price Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at October 31, 1996................ 4,339,378        $50</td>
<td></td>
</tr>
<tr>
<td>Granted..................                        114,060        61</td>
<td></td>
</tr>
<tr>
<td>Expired or canceled........................................   (117,404)        53</td>
<td></td>
</tr>
<tr>
<td>Exercised........................................ (414,731)        39</td>
<td></td>
</tr>
<tr>
<td>Outstanding at October 31, 1997................ 3,921,303         51</td>
<td></td>
</tr>
<tr>
<td>Granted........................................ 1,898,420         36</td>
<td></td>
</tr>
<tr>
<td>Expired or canceled........................................   (844,664)        47</td>
<td></td>
</tr>
<tr>
<td>Exercised........................................ (267,602)        37</td>
<td></td>
</tr>
<tr>
<td>Outstanding at October 31, 1998................ 4,707,457         47</td>
<td></td>
</tr>
<tr>
<td>Granted........................................ 1,079,810         43</td>
<td></td>
</tr>
<tr>
<td>Expired or canceled........................................   (256,145)        47</td>
<td></td>
</tr>
<tr>
<td>Exercised........................................ (303,736)        35</td>
<td></td>
</tr>
<tr>
<td>Outstanding at October 31, 1999................ 5,227,386        $47</td>
<td></td>
</tr>
</tbody>
</table>

Exercisable at:

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>October 31, 1999................ 3,407,398</td>
</tr>
<tr>
<td>October 31, 1998................ 3,210,580</td>
</tr>
<tr>
<td>October 31, 1997................ 1,964,137</td>
</tr>
</tbody>
</table>

At October 31, 1999, there are 1,089,902 shares available for future grant. Available for grant includes shares which may be granted as either stock options or restricted stock, as determined by the Committee under the 1996 and 1988 Fluor Executive Stock Plans.

At October 31, 1999, there are 5,227,386 options outstanding with exercise prices between $35 and $68, with a weighted-average exercise price of $47 and a weighted-average remaining contractual life of 5.7 years; 3,407,398 of these options are exercisable with a weighted-average exercise price of $49.

At October 31, 1999, 3,674,875 of the 5,227,386 options outstanding have exercise prices between $35 and $49, with a weighted-average exercise price of $40 and a weighted-average remaining contractual life of 5.3 years; 2,010,480 of these options are exercisable with a weighted-average exercise price of $41. The remaining 1,552,511 outstanding options have exercise prices between $50 and $68, with a weighted-average exercise price of $61 and a weighted-average remaining contractual life of 6.4 years; 1,396,918 of these options are exercisable with a weighted-average exercise price of $61.

Lease Obligations
Net rental expense amounted to approximately $98 million, $92 million and $93 million in 1999, 1998 and 1997, respectively. The company's lease obligations relate primarily to office facilities, equipment used in connection with long-term construction contracts and other personal property.

During 1998, the company entered into a $100 million operating lease facility to fund the construction cost of its corporate headquarters and engineering center. The facility expires in 2004. Lease payments are calculated based on LIBOR plus approximately 0.35 percent. The lease contains an option to purchase these properties during the term of the lease and contains a residual value guarantee of $82 million. In addition, during 1999 the company entered into a similar transaction to fund construction of its Calgary office. The total commitment under this transaction is approximately $25 million.

The company's obligations for minimum rentals under noncancelable leases are as follows:

<table>
<thead>
<tr>
<th>At October 31,</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$46,358</td>
</tr>
<tr>
<td>2001</td>
<td>43,531</td>
</tr>
<tr>
<td>2002</td>
<td>38,140</td>
</tr>
<tr>
<td>2003</td>
<td>34,595</td>
</tr>
<tr>
<td>2004</td>
<td>22,264</td>
</tr>
<tr>
<td>Thereafter</td>
<td>62,067</td>
</tr>
</tbody>
</table>

Contingencies and Commitments

The company and certain of its subsidiaries are involved in litigation in the ordinary course of business. The company and certain of its engineering and construction subsidiaries are contingently liable for commitments and performance guarantees arising in the ordinary course of business. Claims arising from engineering and construction contracts have been made against the company by clients, and the company has made certain claims against clients for costs incurred in excess of the current contract provisions. The company does not expect that the foregoing matters will have a material adverse effect on its consolidated financial position or results of operations.

Disputes have arisen between a Fluor Daniel subsidiary and its client, Anaconda Nickel, which primarily relate to the process design of the Murrin Murrin Nickel Cobalt project located in Western Australia. Both parties have initiated the dispute resolution process under the contract. Results for the year ended October 31, 1999 for the Fluor Daniel segment include a provision totaling $84 million for the alleged process design problems. If and to the extent that these problems are ultimately determined to be the responsibility of the company, the company anticipates recovering a substantial portion of this amount from available insurance and, accordingly, has also recorded $64 million in expected insurance recoveries. The company vigorously disputes and denies Anaconda's allegations of inadequate process design.

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to
recover amounts the company might be required to pay. As of October 31, 1999, the company had extended financial guarantees on behalf of certain clients and other unrelated third parties totaling approximately $29 million.

In connection with its 1997/1998 share repurchase program, the company entered into a forward purchase contract for 1,850,000 shares of its common stock at a price of $49 per share. The contract matures in October 2000 and gives the company the ultimate choice of settlement option, either physical settlement or net share settlement. As of October 31, 1999, the contract settlement cost per share exceeded the current market price per share by $11.44.

Although the ultimate choice of settlement option resides with the company, if the price of the company's common stock falls to certain levels, as defined in the contract, the holder of the contract has the right to require the company to settle the contract.

The company's operations are subject to and affected by federal, state and local laws and regulations regarding the protection of the environment. The company maintains reserves for potential future environmental costs where such obligations are either known or considered probable, and can be reasonably estimated.

On October 20, 1999, the U.S. District Court for the Southern District of West Virginia issued an injunction which prohibits the construction of valley fills over both intermittent and perennial stream segments as a part of mining operations. While Massey is not a party to this litigation, virtually all mining operations, including Massey, utilize valley fills to dispose of excess materials. This decision is now under appeal to the Fourth Circuit Court of Appeals and the District Court has issued a stay of its decision pending the outcome of the appeal. Based upon the current state of the appeal, the company does not believe that Massey mining operations will be materially affected during the pendency of the appeal. If and to the extent that the District Court's decision is upheld and legislation is not passed which limits the impact of the decision, then all or a portion of Massey's mining operations could be affected. The potential impact to Massey arising from this proceeding is not currently estimable.

The company believes, based upon present information available to it, that its reserves with respect to future environmental costs are adequate and such future costs will not have a material effect on the company's consolidated financial position, results of operations or liquidity. However, the imposition of more stringent requirements under environmental laws or regulations, new developments or changes regarding site cleanup costs or the allocation of such costs among potentially responsible parties, or a determination that the company is potentially responsible for the release of hazardous substances at sites other than those currently identified, could result in additional expenditures, or the provision of additional reserves in expectation of such expenditures.

Operations by Business Segment and Geographical Area

In the fourth quarter of 1999, the company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). The statement establishes new standards for the way that business enterprises report information about operating segments as well as the related disclosures about products and services, geographical areas and major customers. The adoption of SFAS No. 131 did not affect the consolidated results of operations or financial position of the company, but did affect the business segments that are disclosed. Prior year disclosures have been restated to conform to the new basis of reporting.

Fluor Daniel consists of five business units: Chemicals & Life Sciences; Oil, Gas and Power; Mining; Manufacturing; and Infrastructure. These units provide design, engineering, procurement and construction
services on a worldwide basis to an extensive range of industrial, commercial, utility, natural resources and energy clients. The types of services provided by Fluor Daniel include: feasibility studies, conceptual design, detail engineering, procurement, project and construction management and construction.

Fluor Global Services consists of six business units: American Equipment Company; TRS Staffing Solutions; Fluor Federal Services; Telecommunications; Operations & Maintenance; and Consulting Services. These units provide a variety of services to clients in a wide range of industries. The types of services provided by Fluor Global Services include: equipment sales, leasing, services and outsourcing for construction and industrial needs; temporary technical and non-technical staffing specializing in technical, professional and administrative personnel; services to the United States government; repair, renovation, replacement, predictive and preventative services to commercial and industrial facilities; and productivity consulting services and maintenance management to the manufacturing and process industries.

Massey Coal is a single business unit which produces, processes and sells high-quality, low-sulfur steam coal to the utility industry as well as industrial customers, and metallurgical coal for the steel industry.

Fluor Signature Services is a single business unit established primarily to provide traditional business services and business infrastructure support to the company. Ultimately, such services may be marketed to external customers. Although operations for this segment did not start until November 1, 1999, historical total asset data has been presented for information purposes only.

The reportable segments follow the same accounting policies as those described in the summary of major accounting policies. Management evaluates a segment's performance based upon operating profit and operating return on assets. Intersegment revenues are insignificant. The company incurs costs and expenses and holds certain assets at the corporate level which relate to its business as a whole. Certain of these amounts have been charged to the company's business segments by various methods, largely on the basis of usage.

Engineering services for international projects are often performed within the United States or a country other than where the project is located. Revenues associated with these services have been classified within the geographic area where the work was performed.
Depreciation, depletion and amortization ............... 61 90 167 -- 318
Operating profit before special provision .................. 160 92 147 -- 399
Total assets ........................................... 1,017 1,041 1,956 454 4,468
Capital expenditures ................................ $ 51 $ 226 $ 227 $ -- $ 504

1998
External revenues ........................................ $ 9,736 $2,642 $1,127 $ -- $13,505
Depreciation, depletion and amortization ............... 67 72 150 -- 289
Operating profit ........................................... 161 81 173 -- 415
Total assets ............................................. 1,270 968 1,801 465 4,504
Capital expenditures ................................ $ 91 $ 214 $ 296 $ -- $ 601

1997
External revenues ........................................ $10,180 $3,038 $1,081 $ -- $14,299
Depreciation, depletion and amortization ............... 68 49 131 -- 248
Operating profit ........................................... 70 52 155 -- 277
Total assets ............................................. 1,259 894 1,619 509 4,281
Capital expenditures ................................ $ 83 $ 116 $ 267 $ -- $ 466

Reconciliation of Segment Information to Consolidated Amounts

1999 1998 1997
----- ----- ----- 

OPERATING PROFIT
Total segment operating profit before special provision ........................................ $ 399 $ 415 $ 277 
Special provision .................................... (117) -- -- 
Corporate administrative and general expense .... (55) (23) (13) 
Interest (expense) income, net ............................... (33) (24) (8) 
Other items, net .......................................... (8) (5) (1) 

Earnings before taxes ........................................ $ 186 $ 363 $ 255 

1999 1998 1997
----- ----- ----- 

TOTAL ASSETS
Total assets for reportable segments .............. $4,468 $4,504 $4,281 
Cash, cash equivalents and marketable securities ........................................ 210 341 309 
Other items, net ........................................... 208 174 95 

Total assets ............................................. $4,886 $5,019 $4,685

FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Enterprise-Wide Disclosures
The following table sets forth unaudited quarterly results for the 11 quarters ended July 31, 2000. The data set forth below have been derived from unaudited consolidated financial statements of Fluor Corporation and have been prepared on the same basis as Fluor Corporation's audited Consolidated Financial Statements and Notes thereto contained in this Proxy Statement, and, in the opinion of management, include all adjustments necessary for a fair presentation of such data for the periods presented. The data should be read in conjunction with the audited Consolidated Financial Statements and notes appearing elsewhere in this Proxy Statement. The operating results for any quarter are not necessarily indicative of results for any future period.

### Fiscal Quarter Ended

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues........</td>
<td>$3,399.0</td>
<td>$3,282.1</td>
<td>$3,528.9</td>
<td>$3,294.8</td>
<td>$3,384.1</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>3,309.3</td>
<td>3,184.9</td>
<td>3,422.0</td>
<td>3,179.3</td>
<td>3,291.2</td>
</tr>
<tr>
<td>Special provision</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>136.5</td>
</tr>
<tr>
<td>Earnings (loss) before taxes</td>
<td>84.5</td>
<td>83.7</td>
<td>96.2</td>
<td>98.3</td>
<td>74.9</td>
</tr>
<tr>
<td>Net earnings</td>
<td>54.8</td>
<td>54.3</td>
<td>82.4</td>
<td>85.8</td>
<td>51.1</td>
</tr>
<tr>
<td>Earnings (loss) per share</td>
<td>$0.66</td>
<td>$0.67</td>
<td>$0.81</td>
<td>$0.85</td>
<td>$0.68</td>
</tr>
<tr>
<td>Diluted........</td>
<td>$0.66</td>
<td>$0.67</td>
<td>$0.81</td>
<td>$0.84</td>
<td>$0.68</td>
</tr>
</tbody>
</table>

### July 31, 2000

Revenues........ $2,902.7
Cost of revenues........ 2,830.1
Special provision........ --
Earnings (loss) before taxes........ 47.3
Net earnings (loss)........ 53.3
Earnings (loss) per share
Basic........ $0.44
Diluted........ $0.44

*Includes export revenues to unaffiliated customers of $1.6 billion in 1999, $1.5 billion in 1998 and $1.8 billion in 1997.*
In March 1999, Fluor Corporation announced a new strategic direction, including a reorganization of the operating units and administrative functions of its engineering and construction segment. In connection with this reorganization, Fluor Corporation recorded a pre-tax charge of $136.5 million to cover direct and other reorganization related costs. In October 1999 and April 2000, Fluor Corporation reversed into earnings $19.3 million and $17.9 million, respectively, due to changes in Fluor Corporation's reorganization plans.

REPORT OF INDEPENDENT AUDITORS

To the Shareholder of Massey Energy Company

We have audited the accompanying combined balance sheets of Massey Energy Company (see Note 1) as of October 31, 1999 and 1998, and the related combined statements of earnings, cash flows, and shareholder's equity for each of the three years in the period ended October 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Massey Energy Company at October 31, 1999 and 1998, and the combined results of its operations and its cash flows for each of the three years in the period ended October 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Richmond, Virginia
August 21, 2000

MASSEY ENERGY COMPANY

COMBINED STATEMENTS OF EARNINGS
(In Thousands, Except Per Share Amounts)

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended July 31,</th>
<th>Year Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$792,461</td>
<td>$790,121</td>
</tr>
<tr>
<td>Other revenue</td>
<td>51,603</td>
<td>31,470</td>
</tr>
<tr>
<td>Total revenue</td>
<td>844,064</td>
<td>821,591</td>
</tr>
<tr>
<td>Costs and expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>600,456</td>
<td>572,770</td>
</tr>
<tr>
<td>Depreciation,</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Depreciation, depletion and amortization........... 126,043  124,863  167,558  150,459  131,294
Selling, general and administrative...........  21,944  24,584  32,696  27,584  22,388

Total costs and expenses.......................  748,443  722,217  975,074  983,814  955,032

Income from operations.......................  95,621  99,374  139,378  170,140  154,766
Interest income.............................  19,768  10,449  14,426  16,073  17,522
Interest expense............................  (192)   (703)   (803)   (514)   (534)

Earnings before taxes........................ 115,197 109,120 153,001 185,699 171,754
Income tax expense...........................  38,122  34,633  49,561  57,403  52,761

Net earnings............................... $ 77,075 $ 74,487 $103,440 $128,296 $118,993

Pro forma earnings per share (unaudited)
Basic........................................ $ 1.04  $ 1.01  $ 1.40  $ 1.74  $ 1.61
Diluted....................................... $ 1.04  $ 1.01  $ 1.40  $ 1.74  $ 1.61

Shares used to calculate pro forma earnings per share
Basic........................................  73,819  73,819  73,819  73,819  73,819
Diluted........................................  73,820  73,825  73,826  73,826  73,829

See Notes to Combined Financial Statements.

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MASSEY ENERGY COMPANY

COMBINED BALANCE SHEETS
(In Thousands of Dollars)

<table>
<thead>
<tr>
<th>At October 31,</th>
<th>At July 31,</th>
</tr>
</thead>
</table>

(Unaudited)

ASSETS

Current Assets
Cash and cash equivalents.................... $  5,065 $  8,051 $  3,651
Trade and other accounts receivable........ 168,232 141,480 134,827
Inventories...................................  92,131  91,723  71,634
Deferred taxes................................  92,131  91,723  71,634
Prepaid expenses and other..................  53,073  36,724  29,146

Total current assets........................ 325,969 286,644 248,931
Net Property, Plant and Equipment........... 1,548,601 1,508,728 1,448,836

Noncurrent Assets
Pension assets...............................  63,677  55,908  48,729
Other......................................... 148,494 128,717  90,441

Total noncurrent assets..................... 212,171 184,625 139,170

Total assets................................  $2,086,741 $1,979,997 $1,836,937

LIABILITIES AND SHAREHOLDER'S EQUITY
Current Liabilities

Accounts payable, principally trade...... $ 95,412   $ 109,826   $ 74,505
Notes payable and bank overdrafts........ $ 16,317   $ 50,360   $ 65,831
Payroll and employee benefits........... $ 22,914   $ 29,115   $ 31,937
Income taxes payable................... $ 12,848   $ 10,025   $ 21,365
Other current liabilities.............. $ 50,165   $ 43,393   $ 51,272

Total current liabilities.............. 197,656      242,719     244,910

Noncurrent Liabilities

Deferred taxes.......................... 247,386      226,062     184,660
Other.................................... 250,572      233,823     226,141

Total noncurrent liabilities........... 497,958      459,885     410,801

Contingencies and Commitments

Shareholder's Equity

Net investment by Fluor Corporation...... 1,646,048    1,557,809   1,446,630
Due from Fluor Corporation...............   (254,921)    (280,416)   (265,404)

Total shareholder's equity.............. 1,391,127    1,277,393   1,181,226

Total liabilities and shareholder's equity........ $2,086,741   $1,979,997  $1,836,937

See Notes to Combined Financial Statements.

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MASSEY ENERGY COMPANY

COMBINED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

Nine Months Ended
July 31, Year Ended October 31,
----------------------- -------------------------------
----------- ----------- ---------  ---------  ---------
(Uaudited) (Uaudited)

Cash Flows From Operating Activities

Net earnings........... $ 77,075   $ 74,487 $ 103,440 $ 128,296 $ 118,993
Adjustments to reconcile net earnings to cash provided by operating activities:
Depreciation, depletion and amortization....... 126,043   124,863  167,558  150,459  131,294
Deferred taxes....... 22,522     24,586   42,409   32,683   20,326
Gain on disposal of assets................... (26,108)    (11,178)    (8,982)   (4,555)  (15,865)
Changes in operating assets and liabilities,
excluding effects of business (Increase) decrease
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>in accounts receivable.</td>
<td>(26,752)</td>
<td>1,662</td>
<td>(6,653)</td>
<td>7,941</td>
<td>1,362</td>
</tr>
<tr>
<td>(Increase) decrease in inventories.</td>
<td>(408)</td>
<td>(14,223)</td>
<td>(20,089)</td>
<td>1,858</td>
<td>(22,764)</td>
</tr>
<tr>
<td>Increase in prepaid expenses and other current assets.</td>
<td>(16,349)</td>
<td>(1,831)</td>
<td>(7,578)</td>
<td>(10,374)</td>
<td>(2,818)</td>
</tr>
<tr>
<td>Increase in pension and other assets.</td>
<td>(27,546)</td>
<td>(27,883)</td>
<td>(36,733)</td>
<td>(23,841)</td>
<td>(17,011)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and bank overdrafts.</td>
<td>(48,733)</td>
<td>(55,639)</td>
<td>19,850</td>
<td>(4,588)</td>
<td>31,095</td>
</tr>
<tr>
<td>Increase (decrease) in accrued income taxes.</td>
<td>2,823</td>
<td>(7,723)</td>
<td>(11,340)</td>
<td>1,722</td>
<td>77</td>
</tr>
<tr>
<td>Increase (decrease) in other accrued liabilities.</td>
<td>1,031</td>
<td>(9,002)</td>
<td>(10,007)</td>
<td>3,035</td>
<td>1,565</td>
</tr>
<tr>
<td>Increase in other non-current liabilities.</td>
<td>17,027</td>
<td>7,560</td>
<td>4,609</td>
<td>2,873</td>
<td>9,417</td>
</tr>
<tr>
<td>Cash provided by operating activities.</td>
<td>100,625</td>
<td>105,679</td>
<td>236,484</td>
<td>285,509</td>
<td>255,671</td>
</tr>
<tr>
<td>Cash Flows From Investing Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures.</td>
<td>(169,168)</td>
<td>(175,386)</td>
<td>(230,001)</td>
<td>(307,898)</td>
<td>(305,220)</td>
</tr>
<tr>
<td>Proceeds from sale of assets.</td>
<td>29,360</td>
<td>6,800</td>
<td>6,437</td>
<td>25,549</td>
<td>20,291</td>
</tr>
<tr>
<td>Cash utilized by investing activities.</td>
<td>(139,808)</td>
<td>(168,586)</td>
<td>(223,564)</td>
<td>(282,349)</td>
<td>(284,929)</td>
</tr>
<tr>
<td>Cash Flows From Financing Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in amount due from Fluor.</td>
<td>25,495</td>
<td>65,802</td>
<td>(15,012)</td>
<td>(14,238)</td>
<td>30,618</td>
</tr>
<tr>
<td>Equity contributions from Fluor.</td>
<td>11,164</td>
<td>5,278</td>
<td>7,739</td>
<td>12,335</td>
<td>--</td>
</tr>
<tr>
<td>Other, net.</td>
<td>(462)</td>
<td>(801)</td>
<td>(1,247)</td>
<td>(1,189)</td>
<td>(1,057)</td>
</tr>
<tr>
<td>Cash provided (utilized) by financing activities.</td>
<td>36,197</td>
<td>70,279</td>
<td>(8,520)</td>
<td>(3,092)</td>
<td>29,561</td>
</tr>
<tr>
<td>(Decrease) increase in cash and cash equivalents.</td>
<td>(2,986)</td>
<td>7,372</td>
<td>4,400</td>
<td>68</td>
<td>303</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period.</td>
<td>8,051</td>
<td>3,651</td>
<td>3,651</td>
<td>3,583</td>
<td>3,280</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period.</td>
<td>$ 5,065</td>
<td>$ 11,023</td>
<td>$ 8,051</td>
<td>$ 3,651</td>
<td>$ 3,583</td>
</tr>
<tr>
<td>Supplemental disclosure of cash flow information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid during the period for income.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
See Notes to Combined Financial Statements.

MASSEY ENERGY COMPANY

COMBINED STATEMENTS OF SHAREHOLDER'S EQUITY
(In Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Net Investment by Fluor Corporation</th>
<th>Due From Fluor Corporation</th>
<th>Total Shareholder's Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at October 31, 1996............</td>
<td>$1,187,006</td>
<td>$(281,784)</td>
<td>$905,222</td>
</tr>
<tr>
<td>Net earnings.................</td>
<td>118,993</td>
<td></td>
<td>118,993</td>
</tr>
<tr>
<td>Net change in amount due from Fluor Corporation.............</td>
<td>30,618</td>
<td></td>
<td>30,618</td>
</tr>
<tr>
<td>Balance at October 31, 1997............</td>
<td>1,305,999</td>
<td>(251,166)</td>
<td>1,054,833</td>
</tr>
<tr>
<td>Net earnings.................</td>
<td>128,296</td>
<td></td>
<td>128,296</td>
</tr>
<tr>
<td>Capital contributions............</td>
<td>12,335</td>
<td></td>
<td>12,335</td>
</tr>
<tr>
<td>Net change in amount due from Fluor Corporation.............</td>
<td>(14,238)</td>
<td></td>
<td>(14,238)</td>
</tr>
<tr>
<td>Balance at October 31, 1998............</td>
<td>1,446,630</td>
<td>(265,404)</td>
<td>1,181,226</td>
</tr>
<tr>
<td>Net earnings.................</td>
<td>103,440</td>
<td></td>
<td>103,440</td>
</tr>
<tr>
<td>Capital contributions............</td>
<td>7,739</td>
<td></td>
<td>7,739</td>
</tr>
<tr>
<td>Net change in amount due from Fluor Corporation.............</td>
<td>(15,012)</td>
<td></td>
<td>(15,012)</td>
</tr>
<tr>
<td>Balance at October 31, 1999............</td>
<td>1,557,809</td>
<td>(280,416)</td>
<td>1,277,393</td>
</tr>
<tr>
<td>Net earnings (unaudited).............</td>
<td>77,075</td>
<td></td>
<td>77,075</td>
</tr>
<tr>
<td>Capital contributions (unaudited)........</td>
<td>11,164</td>
<td></td>
<td>11,164</td>
</tr>
<tr>
<td>Net change in amount due from Fluor Corporation (unaudited).............</td>
<td>25,495</td>
<td></td>
<td>25,495</td>
</tr>
<tr>
<td>Balance at July 31, 2000 (unaudited).............</td>
<td>$1,646,048</td>
<td>$(254,921)</td>
<td>$1,391,127</td>
</tr>
</tbody>
</table>

See Notes to Combined Financial Statements.

MASSEY ENERGY COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Major Accounting Policies

Basis of Presentation

The accompanying combined financial statements of Massey Energy Company (Massey Energy or the Company) include the accounts of A. T. Massey Coal Company Inc. (A. T. Massey) and its subsidiaries, and Appalachian Synfuel LLC (Appalachian). A. T. Massey and Appalachian are 100% controlled by Fluor.
Corporation (Fluor) through wholly owned subsidiaries and partnership interests. All significant intercompany transactions and accounts have been eliminated.

On June 7, 2000, the Board of Directors of Fluor approved a transaction to separate Fluor into two independent entities—"new" Fluor and Massey Energy. The transaction will be effected by a spin-off to Fluor shareholders through a tax-free distribution. At the time of the spin-off Fluor shareholders will retain their existing Fluor stock, which will become Massey Energy shares, and will be issued an equal number of shares of "new" Fluor. The transaction is subject to shareholder approval, ability to obtain expected capital structure and a favorable ruling from the IRS.

These Combined Financial Statements may not necessarily be indicative of the results of operations, financial position and cash flows of Massey Energy in the future or had it operated as a separate independent company during the periods presented. The Combined Financial Statements do not reflect any changes that may occur in the financing and operations of Massey Energy as a result of the above transaction.

Use of Estimates

The preparation of the financial statements of the Company in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Therefore, actual results could differ from those estimates.

Cash and Cash Equivalents

Securities with maturities of 90 days or less at the date of purchase are classified as cash equivalents.

Revenue Recognition

Coal sales are generally recognized when coal is loaded onto transportation vehicles for shipment to customers. For domestic sales, this generally occurs when coal is loaded at the mine or at off-site storage locations. For export sales, this generally occurs when coal is loaded onto marine vessels at terminal locations.

Property, Plant and Equipment

Property, plant and equipment is carried at cost and comprises:

<table>
<thead>
<tr>
<th></th>
<th>At July 31, 2000</th>
<th>At October 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unaudited)</td>
<td>----------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Land, buildings and equipment........</td>
<td>$1,548,331</td>
<td>$1,479,784</td>
</tr>
<tr>
<td>Mining properties and mineral rights..</td>
<td>581,157</td>
<td>566,492</td>
</tr>
<tr>
<td>Mine development............</td>
<td>349,678</td>
<td>292,473</td>
</tr>
<tr>
<td></td>
<td>----------------</td>
<td>--------------------</td>
</tr>
<tr>
<td></td>
<td>2,479,166</td>
<td>2,338,749</td>
</tr>
<tr>
<td>Less accumulated depreciation, depletion and amortization........</td>
<td>(930,565)</td>
<td>(830,021)</td>
</tr>
<tr>
<td>Net property, plant and equipment...</td>
<td>$1,548,601</td>
<td>$1,508,728</td>
</tr>
</tbody>
</table>


Expenditures which extend the useful lives of existing building and equipment are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Coal exploration costs are expensed as incurred. Development costs applicable to the opening of new coal mines and certain mine expansion projects are capitalized. When properties are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

Depreciation of buildings and equipment, including assets leased under capital leases, is calculated on the straight-line method over their estimated useful lives or lease terms, generally ranging from 3 to 50 years. Depletion of mining properties and mineral rights and amortization of mine development costs are computed using the units-of-production method over the estimated recoverable tons.

Reclamation

The Company accrues for post-mining reclamation costs, as coal is mined, on a unit of production basis over the estimated recoverable tons. Accrued reclamation costs are regularly reviewed by management and are revised for changes in future estimated costs and regulatory requirements. Reclamation of disturbed acreage is performed as a normal part of the mining process.

Impairment of Long-Lived Assets

Impairment of long-lived assets is recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying value. The carrying value of the assets is then reduced to their estimated fair value which is usually measured based on an estimate of future discounted cash flows.

Advance Mining Royalties

Leases which require minimum annual or advance payments and are recoverable from future production are generally deferred and charged to expense as the coal is subsequently produced.

Black Lung Benefits

Coal mining subsidiaries are obligated to pay coal workers' pneumoconiosis (black lung) benefits to eligible recipients with respect to claims awarded on or after July 1, 1973. Charges are being made to operations as determined by independent actuaries.

Income Taxes

Income tax expense was calculated as if Massey Energy filed separate tax returns. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

Pro Forma Earnings per Share (Unaudited)

Shares used to calculate basic pro forma earnings per share is based on the number of shares expected to be outstanding at the date of the Distribution (assumed to be equal to the 75,669,076 shares of Fluor Corporation common stock outstanding on July 31, 2000). Shares used to calculate diluted earnings per share is based on the number of shares expected to be issued in the Distribution and the dilutive effect stock option and other stock-based instruments of Fluor Corporation, held by Massey employees, that will be
Inventories

Purchased coal inventories are stated at the lower of cost, computed on the first-in, first-out method, or market value. Produced coal and supplies generally are stated at the lower of average cost or net realizable value.

Inventories are comprised of:

<table>
<thead>
<tr>
<th></th>
<th>At October 31,</th>
<th>At July 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>$73,005</td>
<td>$72,070</td>
</tr>
<tr>
<td>Other</td>
<td>19,126</td>
<td>19,653</td>
</tr>
<tr>
<td></td>
<td>$92,131</td>
<td>$91,723</td>
</tr>
</tbody>
</table>

Internal Use Software

Effective for fiscal year 1999, the Company adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed for or Obtained for Internal Use." The statement requires capitalization of certain costs incurred in the development of internal-use software, including external direct material and service costs, employee payroll and payroll-related costs. All costs capitalized are amortized using the straight-line method over the estimated useful life not to exceed 7 years. Prior to the adoption of SOP 98-1, the Company capitalized only purchased software which was ready for service; all other costs were expensed as incurred. The adoption of this statement did not have a material effect on the Company's financial statements.

Concentrations of Credit Risk and Major Customers

A. T. Massey is engaged in the production of high-quality low sulfur steam coal for the electric generating industry, as well as industrial customers and metallurgical coal for the steel industry. Steam coal sales accounted for approximately 55%, 46% and 50% of combined net sales during 1999, 1998 and 1997, respectively. Metallurgical coal sales accounted for approximately 45%, 54% and 50% of combined net sales during 1999, 1998 and 1997, respectively. During the nine month period ended July 31, 2000 steam and metallurgical coal sales accounted for approximately 60% and 40% of combined net sales, respectively, compared with 54% and 46% respectively, during the nine month period ended July 31, 1999 (unaudited).

A. T. Massey's mining operations are conducted in eastern Kentucky, West Virginia, Virginia and Tennessee and the coal is marketed primarily in the United States.

For the years ended October 31, 1999, 1998 and 1997, approximately 12%, 13% and 13%, respectively, of combined net sales were made to one utility customer,
Duke Energy. At October 31, 1999, approximately 49% and 42% of combined trade receivables represent amounts due from utility customers and steel-producing customers, respectively, compared with 37% and 49%, respectively, as of October 31, 1998 and 36% and 53%, respectively, as of October 31, 1997. Credit is extended based on an evaluation of the customer's financial condition and generally collateral is not required.

Derivatives

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133)."

MASSEY ENERGY COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

SFAS No. 133 establishes new standards for recording derivatives in interim and annual financial statements. This statement, as amended, is effective for the Company's fiscal year 2001. Management does not anticipate that the adoption of the new statement will have a significant impact on the results of operations or the financial position of the Company.

Stock Plans

The Company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost for Fluor stock options granted to Massey Energy employees is measured as the excess, if any, of the quoted market price of Fluor stock at the date of grant over the amount an employee must pay to acquire the stock. Compensation cost for stock appreciation rights and performance equity units is recorded based on the quoted market price of Fluor's stock at the end of the period.

2. Income Taxes

Income tax expense (benefit) included in the Combined Statement of Earnings is as follows:

<table>
<thead>
<tr>
<th>Nine Months Ended</th>
<th>Year Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
</tr>
<tr>
<td>Federal............</td>
<td>$14,645</td>
</tr>
<tr>
<td>State and local...</td>
<td>955</td>
</tr>
<tr>
<td>Total current.....</td>
<td>15,600</td>
</tr>
<tr>
<td>Deferred:</td>
<td></td>
</tr>
<tr>
<td>Federal............</td>
<td>20,112</td>
</tr>
<tr>
<td>State and local...</td>
<td>2,410</td>
</tr>
<tr>
<td>Total deferred....</td>
<td>22,522</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>$38,122</td>
</tr>
</tbody>
</table>
A reconciliation of U.S. statutory federal income tax expense to the Company’s income tax expense on earnings is as follows:

<table>
<thead>
<tr>
<th>Nine Months Ended</th>
<th>Year Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>U.S. statutory federal tax expense............</td>
<td>$40,319</td>
</tr>
<tr>
<td>Increase (decrease) in taxes resulting from:</td>
<td></td>
</tr>
<tr>
<td>State taxes...........</td>
<td>2,187</td>
</tr>
<tr>
<td>Items without tax effect............</td>
<td>1,941</td>
</tr>
<tr>
<td>Depletion.............</td>
<td>(6,785)</td>
</tr>
<tr>
<td>Other, net............</td>
<td>460</td>
</tr>
<tr>
<td>Total income tax expense............</td>
<td>$38,122</td>
</tr>
</tbody>
</table>

Deferred taxes reflect the tax effects of differences between the amounts recorded as assets and liabilities for financial reporting purposes and the amounts recorded for income tax purposes. The tax effects of significant temporary differences giving rise to deferred tax assets and liabilities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
</tr>
<tr>
<td>Accrued liabilities not currently deductible</td>
<td>$42,574</td>
</tr>
<tr>
<td>Alternative minimum tax credit carryforwards</td>
<td>43,361</td>
</tr>
<tr>
<td>Other</td>
<td>30,313</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>116,248</td>
</tr>
<tr>
<td>Valuation allowance for deferred tax assets</td>
<td>(37,683)</td>
</tr>
<tr>
<td>Deferred tax assets, net</td>
<td>78,565</td>
</tr>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
</tr>
</tbody>
</table>
The Company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for the alternative minimum tax credits. These credits can be carried forward indefinitely until fully utilized.

3. Retirement Benefits

A. T. Massey and its subsidiaries sponsor a number of noncontributory defined benefit pension plans covering substantially all administrative and non-union employees hired prior to September 1, 1994. These plans generally provide pension benefits based on each employee’s compensation during the highest five of the last ten years before retirement and years of service. Funding for such plans is generally at the minimum annual contribution level required by applicable regulations.

Plan assets are held by an independent trustee or, in certain circumstances, by insurance carriers. The plans’ assets include cash and cash equivalents, corporate and government bonds, preferred and common stocks, investments in mutual funds and annuity contracts. The fair market value of investments in the Fluor Master Trust and Fluor common stock were $206 million and $6.9 million, respectively, at October 31, 1999, and $180 million and $7 million, respectively, at October 31, 1998. The fair market value of investments in the Fluor Master Trust was 232.1 million at July 31, 2000 (unaudited).

MASSEY ENERGY COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

Net periodic pension income for defined benefit pension plans includes the following components:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 3,451</td>
<td>$ 3,372</td>
<td>$ 3,141</td>
</tr>
<tr>
<td>Interest cost</td>
<td>8,987</td>
<td>8,470</td>
<td>8,047</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(18,281)</td>
<td>(17,797)</td>
<td>(26,072)</td>
</tr>
<tr>
<td>Amortization of unrecognized net asset</td>
<td>(872)</td>
<td>(2,024)</td>
<td>(1,063)</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>56</td>
<td>56</td>
<td>9,516</td>
</tr>
<tr>
<td>Net periodic pension income</td>
<td>$ (6,659)</td>
<td>$ (7,923)</td>
<td>$ (6,431)</td>
</tr>
</tbody>
</table>

The weighted average assumptions used in determining pension obligations are as follows:
At October 31, 1999

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>7.75%</td>
<td>6.75%</td>
</tr>
<tr>
<td>Rate of increase in compensation levels</td>
<td>4.50%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>9.50%</td>
<td>9.50%</td>
</tr>
</tbody>
</table>

The following table sets forth the change in benefit obligation, plan assets and funded status of the Company's defined benefit pension plans:

At October 31, 1999

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in benefit obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit obligation at beginning of year</td>
<td>$136,028</td>
<td>$121,432</td>
</tr>
<tr>
<td>Service cost</td>
<td>3,451</td>
<td>3,372</td>
</tr>
<tr>
<td>Interest cost</td>
<td>8,987</td>
<td>8,470</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(19,576)</td>
<td>7,529</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(5,025)</td>
<td>(4,775)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit obligation at end of year</td>
<td>$123,865</td>
<td>$136,028</td>
</tr>
</tbody>
</table>

| Change in plan assets |        |        |
| Fair value at beginning of year | $195,136 | $189,789 |
| Actual return on assets   | 31,108 | 10,119 |
| Company contributions     | 4      | 3      |
| Benefits paid             | (5,025) | (4,775) |
|                        |        |        |
| Fair value at end of year | $221,223 | $195,136 |

| Funded status            |        |        |
| $ 97,358                 | $ 59,109 |
| Unrecognized net actuarial (gain) loss | (43,886) | (11,426) |
| Unrecognized prior service cost | 571    | 627    |
| Unrecognized net asset    | --     | (913)  |
|                        |        |        |
| Pension assets           | 54,043 | 47,397 |
| Amount included in current liabilities | 1,865  | 1,332  |
|                        |        |        |
| Noncurrent asset         | $ 55,908 | $ 48,729 |

MASSEY ENERGY COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

Under labor contracts with the United Mine Workers of America Benefit Funds, certain operations make payments into two multi-employer defined benefit pension plan trusts established for the benefit of union employees. The contributions are based on tons of coal produced and hours worked. Such payments aggregated approximately, $0.1 million in 1999, $0.4 million in 1998 and $0.6 million in 1997.

Under the Coal Industry Retiree Health Benefits Act of 1992, coal producers
are required to fund medical and death benefits of certain retired union coal workers based on premiums assessed by the United Mine Workers of America. Based on available information at October 31, 1999, the Company's obligation (discounted at 7.75%) under the Act is estimated at approximately $56.4 million. This cost will be recognized as expense as payments are assessed and for the nine months ended July 31, 2000 and the years ended October 31, 1999, 1998 and 1997 totaled $2.8 million (unaudited), $3.5 million, $4.1 million and $7.3 million, respectively.

The Company sponsors three noncontributory defined contribution pension plans for eligible employees. Contributions to defined contribution retirement plans are based on hours worked. For the nine months ended July 31, 2000 and the years ended October 31, 1999, 1998 and 1997, contributions to these plans aggregated approximately $4.1 million (unaudited), $5.4 million, $4.9 million and $4.6 million, respectively.

The Company also sponsors a salary deferral and profit sharing plan covering substantially all administrative and non-union employees. Eligible employees may elect to contribute up to 10% of their compensation, as defined by the plan. The Company may contribute to the plan at its discretion. Such contributions aggregated approximately $2.6 million, $4.1 million and $3.5 million in 1999, 1998 and 1997, respectively.

The Company also sponsors a defined benefit health care plan that provides post-retirement medical benefits to eligible union and non-union members. To be eligible, retirees must meet certain age and service requirements. Depending on year of retirement, benefits may be subject to annual deductibles, coinsurance requirements, lifetime limits, and retiree contributions. Service costs are accrued currently. The accumulated postretirement benefit obligation at October 31, 1999 and 1998 was determined in accordance with the current terms of the Company's health care plans, together with relevant actuarial assumptions and health care cost trend rates projected at annual rates ranging from 6.7 percent (5.7 percent for participants age 65 or older) in 2000 (6.4 percent and 5.7 percent, respectively in 1999) down to 5 percent in 2002 and beyond. The effect of a one percent annual increase in the assumed cost trend rates would increase the accumulated postretirement benefit obligation and the aggregate of the annual service and interest costs by approximately $10.5 million and $1.6 million, respectively. The effect of a one percent annual decrease in these assumed cost trend rates would decrease the accumulated postretirement benefit obligation and the aggregate of the annual service and interest costs by approximately $8.8 million and $1.3 million, respectively.

Net periodic postretirement benefit cost includes the following components:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td>$3,850</td>
<td>$3,506</td>
<td>$3,107</td>
</tr>
<tr>
<td>Service cost</td>
<td>4,092</td>
<td>4,055</td>
<td>3,745</td>
</tr>
<tr>
<td>Interest cost</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>$8,082</td>
<td>$7,701</td>
<td>$6,992</td>
</tr>
</tbody>
</table>

MASSEY ENERGY COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)
The following table sets forth the change in benefit obligation of the Company's postretirement benefit plan:

<table>
<thead>
<tr>
<th>At October 31,</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in benefit obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit obligation at beginning of year</td>
<td>$68,421</td>
<td>$59,025</td>
</tr>
<tr>
<td>Service cost</td>
<td>3,850</td>
<td>3,506</td>
</tr>
<tr>
<td>Interest cost</td>
<td>4,092</td>
<td>4,055</td>
</tr>
<tr>
<td>Acquisition</td>
<td>--</td>
<td>808</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(16,515)</td>
<td>2,384</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,645)</td>
<td>(1,357)</td>
</tr>
<tr>
<td></td>
<td>$58,203</td>
<td>$68,421</td>
</tr>
<tr>
<td>Funded status</td>
<td>$(58,203)</td>
<td>$(68,421)</td>
</tr>
<tr>
<td>Unrecognized net actuarial (gain) loss</td>
<td>(6,296)</td>
<td>10,219</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>1,776</td>
<td>1,916</td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation</td>
<td>(62,723)</td>
<td>(56,286)</td>
</tr>
<tr>
<td>Amount included in other current liabilities</td>
<td>2,186</td>
<td>1,982</td>
</tr>
<tr>
<td>Noncurrent liability</td>
<td>$(60,537)</td>
<td>$(54,304)</td>
</tr>
</tbody>
</table>

The discount rate used in determining the postretirement benefit obligation was 7.75 percent and 6.75 percent at October 31, 1999 and 1998, respectively.

4. Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, trade receivables and accounts payable approximate fair value because of the short-term maturity of these instruments.

Certain subsidiaries provide loans to West Virginia businesses at prevailing interest rates as part of an economic development program which provides tax credits as incentives. Outstanding loans at July 31, 2000 and October 31, 1999 and 1998 amounted to $11.7 million (unaudited), $12.2 million and $15.4 million, respectively, of which $3.6 million (unaudited), $4.0 million and $5.0 million, respectively, is unsecured. These loans are estimated to be at fair value, after recording an allowance for loan losses of $2.9 million (unaudited) at July 31, 2000 and 2.7 million at October 31, 1999 and 1998, based on future cash flows and related credit risk. The current portion of these notes is included in trade and other accounts receivable. The noncurrent portion is included in other noncurrent assets.

The Company loans funds in excess of its operating and capital needs to Fluor and receives interest on the average daily balance at 130% of the federal short-term rate determined in accordance with the Internal Revenue Code of 1986. Fluor repays these loans to the Company as the needs arise. The Company believes these financial practices to be a fair arrangement with its parent and has concluded that any further assessment to determine fair market value of amounts due from Fluor would not be cost beneficial. Interest income for the nine month periods ended July 31, 2000 and 1999 related to these loans amounted to $11.7 million and $7.9 million, respectively (unaudited). Interest income for 1999, 1998 and 1997 related to these loans amounted to $11.7 million, $13.3 million and $14.9 million, respectively. These loans have been classified as a reduction to shareholder's equity in the combined balance sheet.
Included in other noncurrent assets is $25.5 million (unaudited), $26.7 million and $24.9 million, respectively, as of July 31, 2000 and October 31, 1999 and 1998, of Fluor commercial paper acquired in the open market at prevailing interest rates. Interest income associated with commercial paper amounted to $1.2 million (unaudited) and $0.9 million (unaudited) during the nine month periods ended July 31, 2000 and 1999, $1.1 million during the years ended October 31, 1999 and 1998, and $0.8 million during the year ended October 31, 1997. The commercial paper is classified as an available-for-sale security, and is carried at cost which approximates fair value. Unrealized gains or losses are insignificant. Due to restrictions on the use of the commercial paper, it has been classified as a noncurrent asset.

5. Other Noncurrent Liabilities

Other noncurrent liabilities comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>At July 31,</th>
<th>At October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unaudited)</td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Black lung obligation</td>
<td>$ 27,889</td>
<td>$ 25,616 $ 25,779</td>
</tr>
<tr>
<td>Reclamation</td>
<td>112,189</td>
<td>98,677 96,575</td>
</tr>
<tr>
<td>Other post-employment benefits</td>
<td>65,097</td>
<td>60,537 54,304</td>
</tr>
<tr>
<td>Workers' compensation</td>
<td>19,829</td>
<td>20,329 22,776</td>
</tr>
<tr>
<td>Other</td>
<td>25,567</td>
<td>28,664 26,707</td>
</tr>
</tbody>
</table>
|                        | ----------- | =-=-=-=-=--=--=
|                          | $250,571   | $233,823 $226,141 |

Coal mining companies are subject to the Federal Coal Mine Health and Safety Act of 1969, as amended, and various states' statutes for the payment of medical and disability benefits to eligible recipients with respect to black lung claims awarded on or after July 1, 1973. The Company provides for these claims principally through a self-insurance program. Black lung costs for West Virginia operations are funded through trusts. The West Virginia trusts are irrevocable grantor trusts which have been funded at a level such that no contributions will be required in the foreseeable future. Trusteed assets of approximately $28.9 million (unaudited), $26.6 million and $29.7 million are applied to reduce the balance sheet amount of black lung obligations at July 31, 2000 and October 31, 1999 and 1998, respectively. Subsidiaries in other states pay awarded claims on a current basis. Charges are being made to operations as determined by independent actuaries. The expense was determined using a discount rate of 6.75%.

Black lung expense includes the following components:

<table>
<thead>
<tr>
<th>Year Ended October 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Service cost..................................... $  767 $  980 $(1,447)
Interest cost....................................   1,960    2,129    1,869
Amortization of actuarial gain...................  (1,163)  (2,191)  (1,028)
Interest on actuarial gain.......................    (314)    (498)    (159)

Total black lung expense....................... $ 1,250  $   420  $  (765)

Under the Federal Surface Mining Control and Reclamation Act of 1977 and
similar state statutes, mine property is required to be restored in accordance
with regulated standards. The Company performs a certain amount of required
reclamation of disturbed acreage as an integral part of its normal mining
process. All such costs are expensed as incurred.

MASSEY ENERGY COMPANY

NOTES TO COMBINED FINANCIAL STATEMENTS--(Continued)

Reclamation costs to be incurred upon final mine closure are estimated and
accrued as mining progresses over the estimated useful mining life of the
property. The costs relate to reclaiming the pit and support acreage of surface
mines and sealing portals of deep mines. Other costs common to both types of
mining are related to reclaiming refuse and slurry ponds. The establishment of
the reclamation liability is based on permit requirements and requires various
estimates and assumptions, principally associated with costs and
productivities. For the nine month periods ended July 31, 2000 and 1999 and the
years ended October 31, 1999, 1998 and 1997, the Company accrued approximately
$3.6 million (unaudited) and $4.3 million (unaudited) and $6 million, $6
million and $4 million, respectively, towards final mine closure reclamation,
excluding reclamation recosting adjustments identified below. The Company
reviews its entire environmental liability annually and makes necessary
adjustments, including permit changes and revisions to costs and productivities
to reflect current experience. These recosting adjustments are recorded as a
decrease in cost of sales and totaled $0.8 million, $7.2 million and $3.4
million for the years ended October 31, 1999, 1998 and 1997, respectively and
$2.7 million (unaudited) and $0.8 million (unaudited), respectively, for the
nine month periods ended July 31, 2000 and 1999. The Company's management
believes it is making adequate provision for all expected future reclamation
costs. Final reclamation costs for all operations as of October 31, 1999 are
estimated to be approximately $144.6 million.

6. Stock Plans

Certain Massey Energy employees participate in stock plans of Fluor. These
stock plans provide for grants of non-qualified or incentive stock options,
restricted stock awards and stock appreciation rights ("SARS"). Awards to
employees of the Company will be converted to equivalent instruments in Massey
Energy following its separation from Fluor.

Restricted stock awards issued under the Fluor plans provide that shares
awarded may not be sold or otherwise transferred until restrictions have lapsed
or performance objectives have been attained. Upon termination of employment,
shares upon which restrictions have not lapsed must be returned to Fluor.
Restricted stock issued to Massey Energy employees totaled 42,647 shares in
1999 and 18,400 in 1997. No restricted stock was issued to Massey Energy
employees in 1998.

A grant of 300,000 SARS was made to one Massey Energy employee during 1998.
These SARS vest at the end of fiscal year 2001. No other grants of SARS were
made to Massey Energy employees during the period 1997 through 1999.
During 1999 and 1998, 113,860 and 135,675 options, respectively, were awarded to Massey Energy employees. The 1998 awards vest over four year periods and expire in five years and the 1999 awards vest over four years and expire in ten years. The 1998 awards have accelerated vesting provisions based on the price of Fluor's stock. No awards were made during 1997.

The estimated fair value as of the date of grant for options granted to Massey Energy employees in 1999 and 1998 was determined, using the Black-Scholes option-pricing model based on the following weighted average assumptions:

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected option lives (years)</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Risk-free interest rates</td>
<td>4.43%</td>
<td>5.86%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>1.37%</td>
<td>1.18%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>33.40%</td>
<td>29.60%</td>
</tr>
</tbody>
</table>

The weighted average fair value of options granted during 1999 and 1998 was $15 and $11, respectively.

Option grant prices are established at the fair value of Fluor's common stock at the date of grant. As the Company measures compensation cost using the intrinsic value method, no compensation cost for stock options has been recognized. If compensation cost had been determined based on the estimated fair value of options granted as prescribed by Statement of Financial Accounting Standards No. 123, the pro forma effects on Massey Energy's net income would not have been material.

7. Lease Obligations

Certain mining and other equipment is leased under operating leases. Certain of these leases provide options for the purchase of the property at the end of the initial lease term, generally at its then fair market value, or to extend the terms at its then fair rental value. Rental expense for the nine month periods ended July 31, 2000 and 1999 was $19.9 million (unaudited) and $15.4 million (unaudited), respectively. Rental expense for the years ended October 31, 1999, 1998 and 1997 was $22.0 million, $8.9 million and $10.4 million, respectively.

The following presents future minimum rental payments, by year, required under operating leases with initial terms greater than one year, in effect at October 31, 1999:

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Rentals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$15,387</td>
</tr>
<tr>
<td>2001</td>
<td>15,222</td>
</tr>
<tr>
<td>2002</td>
<td>15,010</td>
</tr>
<tr>
<td>2003</td>
<td>14,617</td>
</tr>
</tbody>
</table>
8. Contingencies and Commitments

The Company is the subject of, or a party to, various suits and pending or threatened litigation involving governmental agencies or private interests. Also, the Company’s operations are affected by federal, state and local laws and regulations regarding environmental matters and other aspects of its business. On October 20, 1999, the U.S. District Court for the Southern District of West Virginia issued an injunction which prohibits the construction of valley fills over both intermittent and perennial stream segments as part of mining operations. While the Company is not a party to this litigation, virtually all mining operations, including Massey Energy, utilize valley fills to dispose of excess materials. This decision is now under appeal to the Fourth Circuit Court of Appeals and the District Court has issued a stay of its decision pending the outcome of the appeal. Based upon the current state of the appeal, the Company does not believe that their mining operations will be materially affected during the pendency of the appeal. If and to the extent that the District Court’s decision is upheld and legislation is not passed which limits the impact of the decision, then all or a portion of the Company's mining operations could be affected. The potential impact to the Company arising from this proceeding is not currently estimable.

The outcome or timing of current legal or environmental matters or the impact, if any, of pending legislation or regulatory developments (including the matter noted above) on future operations is not currently estimable. Management does not currently anticipate that such activity will result in amounts which in the aggregate would have a material effect on the Company's combined financial position.

The Company believes, based upon present information available to it, that its reserves with respect to future environmental costs are adequate and such future costs will not have a material effect on the Company's combined financial position, results of operations or liquidity. However, the imposition of more stringent requirement under environmental laws or regulations, new developments or changes regarding site cleanup costs or the allocation of such costs among potentially responsible parties, or a determination that the Company is potentially responsible for the release of hazardous substances at sites other than those currently identified, could result in additional expenditures, or the provision of additional reserves in expectations of such expenditures.